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SURVEY

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Capitalism, Socialism and the State

Part I

Stanislav Andreski
Alain Besançon
Wlodzimierz Brus
Leszek Kolakowski
Henri Lepage
W. M. Lowe ("Miles")
Richard Lowenthal
Kenneth Minogue
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Introduction

Leopold Labedz

SINCE 1917 most of the discussions about capitalism and socialism have been concerned either with the functioning of the economy or with the question of political freedom, but there is relatively little new analysis of the relation between them, pertaining on a more profound level to the "axial principle," to borrow Karl Jasper's concept, of the historical conflict in our epoch. Such debates as these are focused mainly on the economic rather than on the political angle: on the market rather than on the state.

In the light of experience, it is easy to see, now more than ever, that the concentration of both political and economic power in the hands of the state ignores the insights of thinkers such as Montesquieu, concerning the division of power in society as a prerequisite for freedom, and that it leads to the modern form of tyranny: the totalitarian state. It is also easy to see that an arrangement designed to prevent such a concentration of power must have its roots in some form of economic independence from the Leviathan state, as John Locke would have had no difficulty in perceiving. Hence the contemporary argument about economic pluralism as a necessary prerequisite for political pluralism.

Yet, however important such ideas may be to the fundamental premises of a free society, this is only the beginning of wisdom in comprehending the concrete conditions necessary for its preservation under present circumstances. These general principles must be more specifically related to culturally and economically divergent societies in a common historical situation.

IF there is one lesson to be learnt from historical events since 1917, it is the importance of the political dimension. The irony of the situation is that all 57 varieties of Marxism today stress the primacy of politics, while it is the "capitalist" economists who, more often than not, write as though they are economic determinists. Yet, without taking extra-economic factors into account, any approach to macro-economic problems is somewhat inadequate. There may be no going back from economics to political economy, but the fact remains that a rigid compartmentalization of disciplines often precludes a realistic analysis of problems by the specialists. Gains in sophistication are not necessarily conducive to understanding. And it is not a question of whether supply-side economists are merely reiterating Say's Law, or whether Professor Friedman is right in his economic analysis, but of whether any economic policy can be successful without taking into account political, social and cultural factors as being basic to the outcome. Whatever their intrinsic value as analytical instruments, can one really assume that, say, the "marginal propen-

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sity to save," or the Keynesian " liquidity preference," or the " Laffer curve " are equally relevant to the USA, Britain or Japan?

It is, of course, difficult for specialists to go beyond the parameters of their specialization, but it is nevertheless necessary when faced with the type of problems which are increasingly relevant to the formulation of public policy.

It is astonishing, for example, how little impact the 65 years of Soviet, and 35 years of East European, experience has had on Western economic thought. Without comparative analysis (for which such knowledge is a *sine qua non*) one cannot view ideas such as " economic planning," for instance, in a sensible perspective.

SIMILAR considerations are also relevant to fields other than that of economics. Nowadays, when political philosophers discuss theories of state, whether in the light of welfare liberalism, as exemplified by Rawls, or in that of the libertarian neo-conservatism of Nozick, they rarely venture outside their own familiar background. In the present context, the concept of the " minimal state " shows a greater degree of parochialism than its predecessor, the nineteenth-century " night-watchman state."

On the other hand, it is striking (as one can see from the essay by Richard Adamiak to be published in the second part of this *Survey* symposium) how many of the problems which plague the contemporary communist state on its supposed road to " withering away," have already been touched upon in the nineteenth-century socialist theories of state.

THE underlying idea of this (and of the next) special issue of *Survey* on " Capitalism, Socialism and the State " is to contribute an in-depth analysis of these three concepts in the light of historical experience in the East and West. The controversies about the problems connected with them, which have for so long been at the centre of attention, have rarely gone beyond the old arguments about the need for state interventionism on the one hand, or, on the other hand, the danger presented to freedom by the merger of economic and political power in the hands of the state. The role of the market is usually debated in terms either of economic rationality or the preservation of free institutions and political pluralism. These are, of course, important, but there are other relevant factors on which their survival may depend. There is a need to clarify some of the issues. The standard positions may well have reached a point of intellectual stagnation: the monetarist economists and neo-conservatives who extol the " free market " are not confronting the question of the role of the state or of the political dimension of economic policies (either internally or externally); the radical left advocates of " socialism " do not seriously consider the historical experience of communist countries;

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the social-democratic and liberal believers in a " mixed economy " are uncertain about the " mix " or its character. Old stereotypes of " capitalism " and " socialism " are more confused than ever.

HISTORICALLY, there has been an expansion of the role of the state not only in the East, but also in the West. In the East it emerged as the " totalitarian state," in the West as the " welfare state." In both cases, the question is not just one of its economic, but also of its political and social roles. In both cases its expansion involves the growth of bureaucracy, but not necessarily of " rationalization " (in the Weberian sense). But while the totalitarian state faces the question of economic rationality (a weak market leads to weak labour productivity and weak technological innovation), the democratic state increasingly faces the question of rampant corporatism, without sufficient authority (or even clear criteria) by which to adjudicate or impose solutions on competing demands. The mixed economy does not provide an adequate mechanism for solving conflicts between corporate bodies (such as between the trade unions and private companies or nationalized industrial corporations): neither the power of the state nor the automatic functioning of the market appear sufficiently effective in dealing with sectional claims and stagflation in a democracy. The discussions between " monetarists " and economic " interventionists " are concerned with the problems of economic policy, but rarely with the question of the wider role and specific functions of the state, of its character or its scope, except in the most general terms.

This more intractable subject is not much discussed nowadays. Soviet-type economies are functioning against a background of Marxist political economy and of the Marxist theory of state, the assumptions of which are daily contradicted by experience. Historically, in the Soviet Union this has produced consecutive rationalizations of the original utopian blueprint for the " withering away " of the state: Trotsky's and Stalin's " dialectical " argument that the state must first be strengthened before it can disappear; Khrushchev's " theory " of the " people's state "; Brezhnev's formula of " developed socialism " and his codification of totalitarianism in the new Soviet constitution.

WESTERN economic theories are divorced from a political or social dimension: the contemporary state is not a popular subject for analysis in the West, where there is little concern with the theory of state. Relevant arguments have centred on the theory of law and the question of rights, but rarely directly on the question of the state itself which, particularly in the United States, is often seen simply as a problem of government. Nor has much original thought been devoted in Britain to the question of the state. In continental

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Europe the state has been seen more emphatically in terms of its political function, of Weberian *Herrschaft*, of the monopoly of power and its legitimation, but the experience of twentieth-century industrialism, totalitarianism and corporatism has not been analytically assimilated. For example, little reflection has been given to the fact that corporatism was used before the Second World War to bolster state authority (e.g. of Mussolini's regime), while after the war it seems to have contributed to the undermining of state authority.

Yet, in spite of all the important differences in the historical backgrounds of those countries which have undergone modernization, the growth of the role of the state has produced in all of them an expansion of adminstrative bureaucracy and a rise in the cost of its maintenance, whether used for the purposes of control or welfare.

The growth of the role of the state may be deplored, but it cannot be simply dismissed as the result of a conspiracy or of self-generating bureaucratic excressence. It has to be explained in terms of the function the state performs in industrial civilization, in its political, social and cultural aspects. The historical experience of East and West seems to indicate a need to look at the political and economic dimensions of " capitalism " and " socialism " in a post-Marxian and post-Keynesian perspective.

WHAT meaning can still be attributed to the concepts of " capitalism " and " socialism " themselves if the state is not seen simply as a " reflection " of the economic system? On the other hand, if it is primarily a political question, how can one discuss " capitalist " or " socialist " markets without first taking into account the political dimension? And how can one envisage a diminished role for the state in the West when, historically, the totalitarian state, its menacing rival, places such high priority on military investment?

What is the connexion between the growth in density of population and the growth of the state? How is it affected by modern technological developments? How relatively important or unimportant are such factors set against the historical traditions and political culture of specific states? How durable and universal is the post-Second World War tendency for the authority of the state to weaken? What is its impact likely to be in the long run, East and West? And, finally, how relevant are our inherited concepts and categories to the analysis of contemporary problems when seen not only in the context of the economic role of the market, but also in that of the political and economic role of the state?

These and similar questions require clarification and we think it important that such a debate should take place; it will be continued in the next issue.

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The Self-Poisoning of the Open Society

Leszek Kolakowski

AS I was browsing through *The Open Society and its Enemies* again after many years, it struck me that when Popper attacks totalitarian ideologies and movements he neglects the reverse side of the threat. By this I mean what could be called the self-enmity of the open society—not merely the inherent inability of democracy to defend itself effectively against internal enemies by democratic means alone but, more importantly, the process by which the extension and consistent application of liberal principles transforms them into their antithesis. Adherents of totalitarian doctrines are external enemies, even inside an open society; but if "openness" itself can result in the paralysis of openness, then we are dealing with self-destruction. It would even seem that the Hegelian philosophy of development by self-negation, attacked by Popper, is to a certain extent vindicated (I myself have no desire to support such a view, however; quite the contrary). Debatable as it may be, I shall not consider the question of how far Plato, Aristotle, Hegel or Marx have contributed to the dissemination of the totalitarian world view. Whether and in what sense the open society becomes its own enemy, whether this self-destructive mechanism is driven by some necessity of fate—which I do not believe at all—is the disturbing enigma of present-day political confusion, one which is perhaps more than any other worthy of discussion. At first, it might appear that the reason Popper did not touch upon it is that the various intellectual and social phenomena observable today in advanced stages of development were embryonic and hardly perceptible 35 years ago. However, that is not quite true in this case. The self-destructive potential of liberalism was noted by great conservative thinkers in the nineteenth century, Dostoevsky among them; the classic liberal writer John Stuart Mill referred to it several times. But the question why it is so difficult for the champions of liberalism to recognize this potential has to be asked. Perhaps it is that liberal philosophy has a certain innate optimism, which does not of course consist in an historical theodicy, but rather in the attitude of tending to believe that there is a good solution for every social situation and not that circumstances will arise in which the available solutions are not only bad, but very bad.

But enough of generalities. My purpose is to examine some qualities of the open society and in doing so to evaluate the concept once again.

BRIEFLY mentioning Bergson's theory of the "open society,"[1] Popper distinguishes it from his own thus: for Bergson the dis-

[1] Expounded in *Deux sources de la morale et de la religion.*

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tinction between the closed society and the open society is to be understood in religious terms, the open society being seen as the product of mystical intuition; but as mysticism is an expression of the yearning for the closed society and a reaction against rationalism, his theory, including the " hysterical " acceptance of change, must be looked upon as contrary to Popper's theory.[2] According to Popper, " closedness " is, above all, characteristic of a tribal community, where rigid magical taboos operate, where any change is regarded with fear and suspicion, where critical debate and the use of reason are stifled, where democratic, individualistic and egalitarian ideologies are forbidden and where a tendency to economic autarky prevails. The open society, on the other hand, is characterized by a general spirit of criticism and anti-dogmatism, by a readiness for public debate and the subordination of authority to reason, by the abandonment of irrational taboos, by faith in scientific methods, by a belief in the universal brotherhood of people (in contrast to the exclusiveness and self-sufficiency of a tribe). This contrast, exemplified by that between Sparta and Athens in the time of Pericles, is today manifest in essence in the clash between totalitarian and pluralistic ideas and systems. The open society, Popper notes, needs a system of ethics which encompasses the early Christian virtues, which in effect challenges the values of success and reward, and which encourages the capacity for self-sacrifice and selflessness.[3]

Quite apart from the judgment, which I find derogatory, on Bergson's social theory and on mysticism, the sharp contrasting of a closed and an open society seems to me highly questionable for the reasons which follow.

The open society is described less as a state constitution and more as a collection of values, among which tolerance, rationality and a lack of commitment to tradition appear at the top of the list. It is assumed, naïvely so I think, that this set is wholly free of contradictions, meaning that the values it comprises support each other in all circumstances or at least do not limit each other.

I would raise the following reservations about this optimistic interpretation of social life: (1) among the essential values of the open society there are those which for empirical, not necessarily logical, reasons clash with each other and are to be realized only through mutual limitation; (2) therefore, any attempts made to introduce some of these values in a completely consistent way inevitably threaten the continuation of the open society; (3) no society, not even the open society, can do without trust or tradition in some degree, or—to put it another way—some " irrational " values which are characteristic of the closed society are indispensable to the open society. In short: not only is a clear-cut contrast between the two forms of society empirically unfeasible (the same might be said of virtually all empirical distinc-

[2] K. R. Popper, *The Open Society and its Enemies*, Vol. 1, pp. 202 and 314 (5th ed., Routledge, London, 1966).
[3] Ibid. Vol. 2, p. 277 ff.

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tions), but a completely open society does not allow itself to be depicted as ideal, in either a normative or a methodological sense. That this is so is probably more obvious today than ever before, especially since the self-defeating power of liberal principles has become sharply evident in various ways.

IT would hardly be disputed that the idea of personal freedom as well as the political institutions which guarantee it have developed historically in close connexion with the development of trade and the power of the market. This connexion has been well researched and described in historical studies. That does not mean that the idea of freedom was produced causally by the market economy, or that it did not exist in any form previously. It seems beyond doubt, however, that in recent history political and economic liberalism nourished and supported each other. In this sense it is true—as the conservative critics of revolution, the Romantics and the early socialists in the first half of the nineteenth century repeatedly stressed—that "negative" freedom is a bourgeois idea. This origin or connexion has, of course, just as little to do with our evaluation of the idea as information about the genesis of a phenomenon has to do with value judgments on it; the fact that the art of El Greco might have had something to do with his defective sight does not influence the aesthetic evaluation of his paintings. When the Romantics contrasted that society which was based on the negative bonds of egoistic private interests with their longing for the "organic" solidarity of a tribe, village or nation, they were justified in the sense that what they branded as the misery of the new social order was obviously firmly bound up with economic freedom. To put it briefly, the market meant political freedom, the growth of rationality, technical progress, scorn for tradition, and it also meant the merciless struggle of private interests, egoism, obsession with money, indifference to one's neighbours, the decline of religious values, the poverty and exploitation of workers, the victory of reason over history, authority and sentimentality.

It should soon have become evident that it was no inescapable "either-or," no unambiguous "package deal," either a society as described by Balzac or one as dreamt up by the Romantics. The choice is not necessarily between an absolute liberal market-place and a mediaeval village; but in each instance we observe the same conflict between mutually limiting needs. Universal suffrage, political freedoms, freedom of the press, pollution, pornography, freedom from hunger, social insurance, criminality, open frontiers, insoluble problems of giant metropoles, cultural diversity, decline of the school system, the rule of law—we enjoy all this in advanced Western societies, everything at once and interdependent. Certainly, on several negative points and on all positive points of this list, including pollution (and excluding pornography, thanks to censorship), the record of

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the totalitarian countries looks worse. Why then is there anxiety in Western Europe about " the totalitarian temptation "? Why are there widespread doubts about the ability of the pluralistic society to withstand successfully totalitarian despotism (in the political, not the military sense)? From where inside the democratic order do the totalitarian ideologists derive their strength?

I WISH to touch upon only a few of the countless aspects of this question, those which seem to me to be related to the tradition of liberal ideas.

It was pointed out long ago that the growing economic role of the state in democratic countries bears an enormous potential for totalitarian development; if it is also true that in the Western welfare states citizens have been deprived of no essential freedoms as a result of this expansion of state interventionism, the feeling is very widespread that the legislature seeks to control more and more areas of individuals' lives (expressed the world over in complaints about " big government "). There is no need to emphasize the fact that the welfare state does nothing to distribute economic power fairly or " democratize " it; rather the contrary is true.

The traditional liberal world view presupposes that freedom of economic activity is a necessary, though certainly insufficient, condition of political freedom; this was revealed as much by the demonstrable interdependence of social life as by direct experience; as for the second part of the argument, the history of the communist countries is deemed an *instantia crucis*: despotic forms of government, the total destruction of citizens' freedoms and human rights are obviously closely linked with the state monopoly of production and trade. To this, adherents of democratic socialism reply that, historically, communist despotism came about not by state acquisition of the means of production, but without exception by the prior use of political force, i.e. that political expropriation preceded economic expropriation. This weakens the liberals' argument. Moreover, say the democratic socialists, the partial nationalization undertaken in the Western countries, and the considerable use of state power to regulate prices, income, foreign trade, and investment, has certainly not brought with it a totalitarian society; this proves that the connexion pointed out by the liberals has no basis in reality.

This is, of course, a healthy rejoinder, but the extent of its validity depends on how we define freedom in economic affairs. In unlimited form this freedom brings with it the equally unlimited action of the laws of accumulation through competition, thereby creating monopolies, so that the original principle of freedom in competition destroys itself if consistently applied. This is a fact which has long been stressed by the socialists and which has given grounds for various attempts at anti-monopolistic legislation. But all present-day examples of pluralist

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societies have a mixed economy and not one demonstrates the possibility of an order which combines total nationalization and political freedom, for common sense and all the available evidence clearly contradict this.

IT would seem that what is essential for the survival of political freedom is not any one particular method of distributing property, but just the existence of the market itself. As long as the market operates, it is not economically important whether the ownership of the means of production is private, individual, corporative or co-operative, however important this may be for the distribution of non-invested profit or for efficiency. "Not economically important" means here "not directly relevant to exchange." One can well imagine an order in which ownership is predominantly cooperative, in which there is hardly any private ownership by individuals of the means of production, and which is built entirely on the principles of unlimited competition and free trade, with all the economic consequences of a pure liberal economy. In effect, the anarchist ideal of total autonomy of productive units and total self-government by workers represents a model of nineteenth-century liberal economics; this ideal, if it could be implemented, would inevitably produce all those social consequences which the socialists denounce in the capitalist economy: extreme inequality, unemployment on a huge scale, crises, bankruptcies, misery.

The abolition of the market, on the other hand, is conceivable only if the state monopolizes the means of production and trade, which would imply a totalitarian political order. The abolition of the market means not only that the consumers—that is all members of society—are robbed of virtually all choice of consumption and all influence over production, it also means that the instruments of information and communication are monopolized by the state as they too need a vast material base in order to operate. The abolition of the market means, then, that both material and intellectual assets would be totally rationed. To say nothing of the inefficiency of production convincingly demonstrated in the history of communism, this economy requires an omnipotent police state.

Briefly: the abolition of the market means a *gulag* society.

ONE might perhaps ask: given that this is the case, why should it be impossible to combine state ownership of all means of production with the operation of the market? Surely there is no physical, let alone logical incompatibility here?

I would answer by making a further distinction: ownership rights are, in effect, disposal rights. All laws which limit the freedom of disposal also limit the right of ownership; in many cases such laws are well justified on social grounds, but one may not say that they

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do not affect ownership rights. Let us then imagine that the state does indeed own the means of production, but that the right to use these means freely remains in the hands of private persons, cooperatives, corporations, workers' councils, and so on. Here the state is owner no longer, and the fewer tools of intervention and control it has, the less of an owner it is. And all the limitations which the state today imposes upon private owners' disposal rights are so many limitations on ownership rights. In other words, state ownership of the means of production is compatible with the operation of the market only in so far as this ownership is fictitious. Real ownership, that means unlimited power of disposal, excludes the market, but includes total planning (whether it be real or apparent), which means the political as well as the economic expropriation of the whole of society.

If we imagine, on the other hand, that the state is not the nominal owner of the means of production, but that it has an unlimited right to control the use of these means and of the products themselves, it can carry out total expropriation, in all but name, and do away with the market; in this case the political consequences already mentioned would soon follow.

WHAT does this have to do with the application of liberal principles? It appears that the inclination to abolish the operation of the market directly contradicts those principles. But that is not the case. Already by the end of the nineteenth century the liberal tenet that the state had virtually no right at all to intervene in economic life had only a few supporters left. If we read L. T. Hobhouse's classic work, *Liberalism* (1911), we see liberal philosophy setting out on the path of inordinate consistency leading to its own death. Hobhouse convincingly derives what was later called the welfare state from liberal premises: freedom for all can be secured only if the state protects the weak from the stronger and suppresses private or corporative power by legislative coercion. But in economic life, too, these circumstances arise: the worker is weak in relation to his employer, and where the market situation allows the former no real freedom of choice, he is forced to accept the terms of the latter, with no mention of a "free contract." Therefore, the principle of liberalism demands that in this case too, the state should take the weaker side into its care, which is actually what industrial law does by restricting exploitation and controlling working hours, child labour, remuneration and so forth.

So far so good. The welfare state will hardly be attacked by anyone on principle. But if we justify the institution of social security on the principle that it is the state's role to protect the weak from the strong, then it is not difficult to appreciate that, applied in full force, this principle would lead to the total abolition of the market and to a totalitarian state. The market necessarily involves competition, a

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form of struggle, and by definition, the stronger wins the struggle (no matter if the "strength" in any particular venture comes from industriousness, from sheer luck or from previously won advantages). The socially undesirable, indeed catastrophic, results of unbridled competition can be mitigated through a system of safeguards and state control, but competition itself can be removed only with the complete elimination of the market.

But if we accept what has been said above, that there is a fatal and reciprocal connexion between totalitarianism and the abolition of the market, then it becomes apparent that the liberal precept that the state should look after security and protect the weak from the strong ultimately demands the totalitarian order. Needless to say, however, the totalitarian state in no way ensures the protection of the weak, but establishes the omnipotence of the state machine over the individual. One can say, therefore, that the liberal principle by its own consistency transforms itself into its opposite, or that its completely consistent application is simply impossible.

This is no abstract juggling with ideas: all totalitarian ideologies do, in fact, rely on the same liberal idea of the security and defence of the weak by state law and fight competition, which means the market, in the name of this idea.

AN analogous line of reasoning can be conducted in the case of another recognized value in the legacy of liberalism: equality of opportunity. Liberal philosophy has, of course, never prized equality as an ideal; neither has it ever demanded of political institutions measures intended to promote it; on the contrary, it accepted the need for distinction as an inescapable fact of social life and emphasized that the conditions for general progress are most likely to be fulfilled where this need and the inventiveness and creative energy that it generates are given the widest possible space in which to develop. Whereas in the utopian-totalitarian brands of socialism, equality was seen not only as a value in its own right, but also as the highest value, liberal philosophy stressed that it was madness to put equality above the welfare of all. Utopian egalitarianism forces us to believe that we must accept equality as an ideal, even if it lowers the living standard of all, including the disadvantaged, and condemn every form of inequality, even if it eventually furthers the prosperity of all. But ever since the theory of the survival of the fittest was discarded as the philosophical basis of liberalism and the normative concept of justice introduced, there was no longer any reason not to adopt the idea of equality, not, of course, equality in the sense of the desired final result, but in the sense of equal opportunity for all.

It was not difficult to observe, however, that when interpreted unconditionally and logically thought through, this concept creates just as powerful a legitimation for totalitarian ideology as equality

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tout court. Obviously, universal education does not equalize opportunities, it does not abolish the variety of familial milieu; meanwhile, any inequality today is a source of inequality in the next generation. Complete equality for individuals in the social conditions in which they develop (leaving aside the inequalities people are born with) requires the complete equalization of all living conditions; furthermore, if it is to be consistent, such a plan would not only have to take into account full equality in material conditions but also in intellectual conditions or the identity of educational milieu; but this means the abolition of the family and the collective compulsory education of all children in state institutions, realizable only through extreme forms of totalitarian power. It is clear indeed that in the continuity of the family environment various advantages and inequalities persist and that thereby the "privileged start in life" is to some extent perpetuated. In pluralist societies, where the correlation between personal achievement and social position is fairly high, such "privileges" may, in effect, be limited in favour of genetically inherited differences, but not completely abrogated. If we take the principle of an equal start in life seriously and wish to remain faithful to it to the end, we have one foot on the road to totalitarian slavery.

Direct experience, however, together with an understanding of human passions teaches us that, once introduced, the totalitarian order does not bring with it equality of opportunity in life, let alone equality in material things. The opposite is the case. Two things are especially highly valued and important in modern society: free access to sources of information and participation in power. Under totalitarian systems both are denied to the overwhelming majority of the population and are strictly rationed out to small privileged minorities. Inequality in the distribution of material goods is, then, associated with enormously increased inequality in access to knowledge and power. And, the social inheritance of these privileges has an even greater effect than in societies where inequality remains purely quantitative, where it can be calculated in terms of money.

Thus we find that in this case too, if followed consistently, liberalism leads us eventually to the opposite of what is sought.

THE essential characteristic of the open society is said to be spiritual freedom. It is not so much the institutions guaranteeing freedom of political activity, of speech and of the press within the law that count, but rather the social conditions in which a general spirit of reasonableness and tolerance prevails, where all irrational taboos are abolished, where nothing is seen as sacred simply for reasons of tradition, where the people are capable of taking socially important decisions through rational discussion, and where no authority may operate against the verdict of reason.

Put like this, the rules of "openness" seem quite unobjectionable,

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at least for those educated in the tradition of the Enlightenment. On closer inspection, however, doubts arise. A society with no tradition or taboo, with no historically sanctified moral principles, would have to be a society mature in age and spirit. However, as that is impossible, there are at least two institutions which are constructed on the principle of authority and are inconceivable otherwise: family and school. One may say that the effect of authority can and should gradually decrease as children grow older; but this does not alter the situation. In each case both moral and intellectual education must start from authority and depend on it for a long time.

However, this is not the only reason why total freedom from authority and unconditional anti-dogmatism are empty catch-phrases. In moral affairs there is a more fundamental impracticability. There are no rational criteria of good and evil in the moral sense, i.e. no criteria sufficiently grounded in experience and logic. To the rationalists—who otherwise admit for the most part that moral judgments cannot be inferred from empirical judgments—this normally seems to cause no great social inconvenience, as all people are prepared to agree with many fundamental values, so that to all practical purposes it is important to discuss the means and not the value-goals, and such discussion can and should take place within the bounds of empirical criteria. This is, unfortunately, an intellectualist self-delusion, a half-conscious inclination by Western academics to treat the values they acquired from their liberal education as something natural, innate, corresponding to the normal disposition of human nature. Nothing is further from the truth than this supposition. That we should be kind, unselfish and helpful to all our fellow humans is not at all obvious or natural. As the empirical criteria which divide the normal from the pathological must be constructed on the basis of frequency and not on moral norms, it appears, unhappily, that hatred, envy, tribal exclusivity, racism and aggression are normal.

It does not follow from this that they are hopelessly ineradicable; nor does it mean that there is no potential in people for the development of counter-virtues. It does, however, follow that moral education may not rely on instincts, that it is, to a certain extent, contrary to nature, otherwise it would hardly be necessary; nor can empirical knowledge create a foundation for it. To educate people to be tolerant, unselfish, to overcome tribal customs in favour of universal moral standards, cannot be done without the strong base of a traditional authority, which up till now has derived from the great religions. Very often, though not always, the net result of education freed of authority, tradition and dogma is moral nihilism. The Hobbesian contract of mutual security can, of course, be founded on " rational egoism "; but there is no such thing as a rationally based brotherhood. The liberal slogan which would exhort us to strive for complete liberation from tradition and the authority of history is counter-

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productive: it leads not to the open society, but at best to one in which conformity enforced by fear keeps strict control over the struggle of private interests, precisely the Hobbesian model. There is, however, no mechanism whereby the dissemination of rationalist attitudes would produce universal friendship and love.

Here too, as in the cases already mentioned, we are not merely playing around with ideas. The attacks on the school and family upbringing have normally been conducted under the banner of liberal slogans (freedom from authority); often supported by totalitarian enemies of democratic values, they are often presented as a continuation of the old liberal struggle against the stupefying rigidity and cold formality of the nineteenth-century school system. By now this struggle has become irrelevant in virtually all advanced countries (perhaps not everywhere to the same degree); what are actually attacked in similar words, are not Prussian or tsarist *gymnasia*, but the liberal schools themselves, schools with fairly flexible regimes, but still based on the principle that their main duty is to impart to the pupils knowledge, intellectual skills, logical standards and mental discipline.

A SIMILAR pattern is to be observed everywhere: the institutions which make the survival of the pluralist society possible—the legal system, the school, the family, the university, the market—are attacked by totalitarian forces using liberal slogans, in the name of freedom in other words. Freedom appears as the absence of law and responsibility, in the anarchistic sense, and thus promises all the consequences which European social philosophy has pointed to for several hundred years: unlimited freedom for everyone means unlimited rights for the strong or, according to Dostoevsky, in the end, absolute freedom equals absolute slavery. Wherever freedom finds itself in opposition to the law, to intellectual standards or to tradition, it turns against itself and becomes the weapon of its enemies. The ideology of anarchism derived—not with compelling logic, but not quite groundlessly either—from liberal principles works in the service of totalitarianism, not necessarily because it suits the intentions of its adherents, but because the totalitarian order is the only possible outcome of the pure negativity of anarchism.

What is at stake is the pluralist society, whose chances of survival depend, for sure, not only on the continued existence of its institutions, but also on a belief in their value and a widespread will to defend them. However, the reverse side of the welfare state is psychological changes which contribute to the weakening of this belief and this will. These changes may be roughly described as society's *retreat into infantilism*. Many technical, demographic and social circumstances conspire to devolve the responsibility for more and more areas of life onto the state. We are accustomed to expect from the state ever more solutions not only to social questions but also to private problems and difficulties;

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it increasingly appears to us that if we are not perfectly happy it is the state's fault, as though it were the duty of the all-powerful state to make us happy. This tendency to bear less and less responsibility for our own lives furthers the danger of totalitarian development and fosters our willingness to accept this development without protest.

IT is well known that inherent in the pluralist order is a perpetual antinomy: how can pluralism defend itself against its enemies without using means which contradict its own essence? The dilemma is a pressing one and not invented for theoretical purposes. A constitution, which guarantees citizens' rights as well as political freedoms, works against itself if it outlaws totalitarian movements and ideas and it works against itself if it ensures their legal protection; both tolerance and intolerance of the enemies of tolerance contradict the basic principle of pluralism and no one can tell how far this tolerance can extend without causing democracy to collapse.

The totalitarian movements struggling for power, however, are finding more and more scope for their destabilizing activities, as the increasing interdependence for purely technological reasons of all spheres of social life makes it ever easier for relatively small groups to paralyse the whole economic mechanism of society; in every technically advanced country there is a vast network of links, each one of which, once immobilized, can bring the whole economic machinery to a halt; experience has given us many examples of this. And so, in the moment of danger every democratic order can be caught on the horns of a fatal dilemma: either allow itself to go under, or take refuge in unconstitutional coercive measures. In "favourable" circumstances this may mean the appalling choice between a totalitarian and an authoritarian-military order, a choice which can put it in an admittedly extraordinary but quite conceivable situation.

In other words, it is difficult to protect democracy by democratic means; difficult, but feasible on condition that democracy has the resolute will to defend itself. Tolerance is not necessarily indifference; the pluralist order is obviously founded on the recognition of particular values, and is not "value free" or neutral; also, the indifference of the law presupposes no neutrality of values; it is anchored in a social philosophy. In order to defend itself, the pluralist order should voice these values ceaselessly and loudly. There is nothing astonishing or outrageous about the fact that within the pluralist society the defenders and enemies of its basic principles are not treated with exactly the same indifference; it is quite possible to treat them differently without harming citizens' rights or the principle of tolerance. A pluralism which acquired from its own norms carelessness about its existence and made it a virtue, would condemn itself to death.

And among the dangers threatening the pluralist society from within

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—they include racism, nationalism, communist and para-communist movements and the growing role of the state—what seems to bode most ill is the weakening of the psychological preparedness to defend it.

All this does not mean that the pluralist society is heading inevitably for destruction. Not only does it have powerful inner reserves for self-defence, its strength also lies in the abominable features and irremediable economic inefficiency of totalitarianism. The end result of the collision between the opposing forces which are tearing our world apart—one furthering the retention and dissemination of pluralism and the other promising totalitarian reorganization—can be known by nobody and is by no means decided; too many unaccountable circumstances play a part. The very fact that the totalitarian side feels forced to appropriate the language of liberal social philosophy and to make deceitful use of liberal phraseology may be taken as proof of the vitality of democratic values. The cause of the "open society" is not lost as long as it does not transform its openness into its own sickness and weakness.

Translated by Susan MacRae

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The Twilight of Our Industrial Age

Miles

This article is a summary of the chapter on economic trends from an as yet unpublished manuscript by "Miles," pseudonym of W. M. Lowe, entitled The Twilight of Our Industrial Age. *This study attempts to analyse the basic economic and political trends of our time and to uncover the roots of the various problems and crises with which we are confronted. A lot of "doomsday" books have appeared; they concern themselves, however, with single aspects of our time: the threatening overpopulation, the limits of our resources of energy and basic materials, the lowering of productivity, or the threat of an atomic war. "Miles," in a wider historical approach, tries to show the interconnexion of all these phenomena reflected at the surface of our civilization.*

THE technological revolution, constantly accelerating at an exponential rate, carries within itself the seed of its ultimate doom, like a steam-engine whose speed governor has broken down. It is true that technological progress has enormously increased mankind's productive power and has so far enabled it to maintain a population which is correspondingly becoming more urbanized. Such growth has gradually, albeit in different ways, affected virtually all the countries of the earth. In the process, however, the very nature of society—its economy, its social relationships, its political superstructure, and their ideological reflections—has been profoundly changed.

In the course of industrial progress many enterprises have grown to an unprecedented size. A great many have not only become increasingly dependent on each other, but also on the infrastructure services such as electricity, gas, water, communications, transport, etc. In the end, the very existence of society seems to depend on the undisturbed and continuous activity of the most vital services and production units. This also leads to a persistent trend towards centralization and the concentration of the most powerful concerns into consortia and, in some cases, into oligarchies or monopolies. Sometimes governments try to fight this trend and to break up monopolies in favour of competition, as in the United States. In other countries the state itself set up state monopolies, far more powerful than the strongest private ones, often under the delusion that the state and society, or the state and the nation, are identical and that "nationalization" will therefore benefit all—a development which has particularly fervent adherents in Britain.

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A deep-seated trend towards monopolization has evolved, particularly in those fields of technology where service industries have grown into nationally-operated networks, or grids, such as the railways, the postal services and telecommunications, the creation of electricity and gas grids, etc.

THE expansion and centralization of industrial concerns has also led to the rapid growth of administration. Parallel developments were set in motion by government intervention in the economic process, and this and the rise of state monopolies led to an increase in the numbers of publicly employed persons and civil servants. The explosive expansion of the administrative burden on society can be illustrated by impressive figures: the percentage of civil servants and white-collar workers in the entire working population of Germany rose from 7 per cent in 1882 to 21·7 per cent in 1933. It grew in West Germany only to 29·7 per cent in 1963 and to 32·3 per cent in 1966 (German Statistical Yearbook).

A further development which has made the individual progressively more dependent on the state and on other anonymous public agencies has been the enormous expansion of public welfare. Before the industrial revolution, help for the needy was left mainly to the churches and to private charity and was not of any substantial economic significance. But during the nineteenth century, public assistance for the poorer classes began to expand fairly rapidly. Already in 1878 Bismarck had introduced state-administered health insurance and workmen's compensation in the wake of the Franco-Prussian war of 1870–71. Within the next 40 years, most of the industrialized states of Central and Western Europe followed suit. All this added to the economic burdens assumed by the state (and paid for by its taxpayers) and to the power concentrated in the hands of the public authorities. These services expanded apace with the growth and growing complexity of industrial organization and became an integral part of industrial society, irrespective of whether they were paid for from social profit, created wealth or by artificial money, that is by inflation.

This, of course, led to a further proliferation of bureaucratic superstructures in all areas of the national economy, thereby increasing the non-productive burden carried by society. Financially this was fed by progressively mounting taxes, duties and special social contributions and a number of social security boards, as well as by rates and municipal taxes imposed by local authorities. This tribute was fixed by virtually unchangeable laws, which meant that the influence on public affairs of the individual (and of his representatives in central parliaments and local councils), and his share in public activity shrank progressively, as did his responsibility for his own future and for that of his family.

The rapidly growing load of administrative and social costs carried

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by society has, among other things, been clearly reflected in rising rates of income tax. To take Britain as an example: between 1854 and 1893 income tax fluctuated around 1·5 per cent; by 1900 it had increased more than threefold to 5 per cent, by 1914 it reached 5·8 per cent, nearly four times the original figure, and in 1938 it had reached 30·3 per cent. By 1972, it had risen steeply to maximum levels of 80 per cent and more. To this must be added the local taxes (rates), wealth tax (capital levies), inheritance and capital transfer taxes, and high indirect taxation and duties on consumer goods.

Another way of covering the rising cost of state regimentation is to increase the price of indispensable goods and services supplied by state monopolies: thus, the cost of public services in Britain rose four times as rapidly in 1974–75 as those of private consumer goods industries.

THE growth and centralization of industrial enterprises, the hierarchical administration of industrial society combined with the wonders of modern technology, came to have a profound influence on the social ideas of the people. This generally seemed a progressive and beneficial development, for as long as the inherent dangerous repercussions were not apparent. Already in the second half of the nineteenth century, Karl Marx in his famous controversy with Bakunin, his anarchist rival, and in his own and Friedrich Engels' conception of scientific socialism, envisaged the new socialist millennium in the form of a state-directed and regimented planned economy, although this was in sharp contradiction to Marx's own findings as a classical economist as elaborated in *Das Kapital.*

This should, however, not detract from the real merit of Marx's discovery that our industrial society is beset by deep and growing inner contradictions, that it is of an *unstable* nature and must eventually perish. To have grasped this while living in a still functioning and prospering industrial free market economy was a unique achievement, which is not diminished by Marx's many illusions and by his emotional involvement in the revolutionary atmosphere and movement of his time, resulting in partial distortions in his successful conceptual work.

These distortions led him to misinterpret the true nature of the contradictions of modern society, and in particular to misjudge the growing role of the state in the modern industrial world. Yet today it is his illusions and his emotionally motivated Utopian social and political ideas, not his genuine achievements as a classical economist, which are understood as Marxism.

Socialism, on the ideological level, normally reflects the march of modern civilization into the totalitarian age. It expresses the longings of modern man, as far as he still lives under conditions of political liberty, for as much as possible of his economic and social activities

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and responsibilities to be planned for him, i.e. directed from above, to be taken over by the state and other public agencies, rather than being left to his own initiative. "Social progress" now usually means the shedding of the individual's personal responsibility for himself and for his family. The state and its agencies are being confused with society; these are increasingly felt to be the true "father and mother" of the individual, who "owe him a living."

The idea of modern socialism is thus partly based on confusing society, or the nation, with the state. Even such a critical thinker as Rudolf Hilferding, well known as a socialist and economist, did not realize until shortly before the Vichy government in France handed him over to the Nazis and to his death, that in our modern society the state assumes a role of its own and turns increasingly against society.

Thus nationalization in fact means the handing over of private enterprises and whole industries to be converted into state monopolies, in the process turning the individual citizen into a servant of the state.

THE management function of erstwhile capitalists has slowly been taken away from them by a huge bureaucracy of professional managers and civil servants, even in most surviving private family concerns and companies of some size. These apparent holders of real economic power (even if they are, at the same time, shareholders in the company they manage) are in fact only "salaried employees," dependent to a large extent on the state. The only difference between "private managers" and top civil servants generally is that the former are better paid, but more mercilessly taxed.

The American term, "chief executives," for the men who have replaced the former captains of industry contains more truth than the European equivalent, director general, managing director, etc. For what they actually do is to carry out (execute) laid down plans, rules, and regulations, frequently government influenced, which often run directly counter to the requirements of a genuinely free market.

Perhaps the term the Nazis coined for the former owners of enterprises is even more fitting: they were known as *Betriebsführer* (works- or plant-leaders) and they were responsible only to the state which frequently appointed them. Even if this practice has not yet been introduced in the West, we are apparently well on the way to it.

Admittedly, even Karl Marx already had some inkling of the importance of managers functioning on behalf of and under the orders of the owners of capital but he described such administrative and technical staff somewhat disdainfully as the *"sous-lieutenants du capital"* (non-commissioned officials and junior officers of capital), little dreaming of their future dominant role.

The strong trend towards the formation of economic oligarchies and monopolies (which were eventually to become, openly or subtly, state monopolies) and the proliferation of government-controlled

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economic agencies have also destroyed normal market relationships. Marx indeed noticed that such trends had begun to deflect the "normal" reactions of capitalists to the movements of the markets. But he hoped that this capital concentration would eventually make it easier to proceed to the realization of his Utopian dream of the "expropriation of the expropriators" by a single stroke of the "revolutionary sword."

Last, but not least, the free labour market has also disappeared. Powerful trades unions not only eliminate competition between individual workers, but also enforce the chronic overmanning of industry; they reduce the mobility of workers both geographically and from one branch of production to another, already greatly limited by public housing policy.

THE growing subdivision of labour within factories, and the ensuing specialization, inevitably causes the worker to be more alienated from the product of his activities. The distance between the basic labour force and the upper layer of management continues to increase. On the other hand, the discipline, interest, and initiative of the worker are all important constituents of the productive efficiency of labour. The neglect, by a single worker, of a minor movement on an assembly line may well result in the necessity of recalling hundreds or even thousands of cars for correction or modification; absenteeism or strike action by a few toolmakers in a large engineering plant can condemn thousands of other workers to idleness for weeks. Today these factors form an integral part of what we might call the "input of labour" into the industrial economy of a given nation.

How can we judge the degree of "working efficiency" (the ratio between the input of labour and its overall result) of a single enterprise, a whole industry, or even an entire nation, called by the classic school of economics its "social productivity"? Social productivity means, in fact, the ratio between the entire input of labour, including past labour in the form of investment, managerial skills, etc., and its useful results—useful in the sense of being economically useful for society.

Such accounting is only possible when both sides of the economic equation—labour input and its results—can be measured by the same standard. For the classical school of economics, this standard was *value,* or, as they termed it, labour value. This was an abstract concept (as is temperature or pressure in physics) because value measurements were only conceivable if the standard yardstick represented an average for the whole of society.

Nevertheless, before 1914, when a free market still prevailed in the economy of industrial societies, such an assessment was a fairly simple matter: the net profits of individual enterprises, though not identical in their working efficiency, always provided a good standard for measurement. In most cases, working efficiency was directly

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reflected by them, or could easily be inferred from them. And for an entire industry or nation, average net profits served pretty well in assessing average working efficiency.

However, since measurements are only possible when the quantity to be measured is compared with a fixed amount of the same quality, length with the unit length in metres or yards, weight with the unit weight in grammes or ounces, etc., it is naturally the same with the intrinsic labour value of goods or services, or with the output of factories or industries. Roughly, they were measured against a fixed quantity of gold which is, of course, also a product of labour. To make this possible, gold had to be treated in the same way as any other commodity being produced and offered for sale in a free world market. Conditions such as these prevailed up to 1914.

The profound crisis brought about by the first world war threw into confusion the vital foundations of any economic measurement, since such a system can work only in the more or less undisturbed environment of a free world market and competitive economy, as existed throughout the West before the First World War. This catastrophe completely destroyed the conditions essential for any meaningful measurement of productive efficiency and of its economic impact on society.

Before 1914, the free flow of goods and services within any given nation, but also between nations, was balanced by the unhindered flow of convertible money and gold. Therefore, any temporary distortion of the economic process soon led to the automatic restoration of economic equilibrium. Yet, as observed earlier, the system was thrown out of gear and the national and international markets were eventually destroyed by the two world wars. And in the aftermath of the Second World War, no possibilities of re-establishing a new equilibrium for the world economy have arisen.

Indeed, since the hiatus of the First World War, the opportunity for a proper control of economic efficiency was quickly lost as a result of the economic measuring rods becoming bent, manipulated, or distorted. Measuring units worthy of the name were thrown away or simply mislaid. Loss of the ability to measure is inevitably followed by a decline in operating efficiency, since what can no longer be measured properly can no longer be controlled, and the effect is a growing imbalance between the labour input both of companies and nations and their productive output. One of the major effects of this imbalance, particularly after the Second World War, was progressive inflation, leading to a constant decline in the value of money all over the world.

AT first the progressive rise of all prices and wages, which is only the other side of the medal of inflation, was in many countries not taken very seriously because the rate of inflation appeared to be negligible, hovering in most industrialized countries between 2 or 3

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per cent per annum. But such an attitude took no account of the fact that, before 1914, the average national rates of profit, i.e. the indicators of overall national efficiency of production, were never much higher than 5 or 6 per cent. Many enterprises or even whole industries at that time thought themselves economically successful at average profit rates of only 3 or 4 per cent.

This means, in other words, that even the "low" rate of inflation immediately after the Second World War already absorbed between 40 and 60 per cent of a "normal" net profit rate of the pre-1914 age and thus, in practice, made any true measurement of individual or national operating efficiency impossible. However, the rate of inflation, almost everywhere, grew in a truly explosive fashion. In some countries, it has reached astronomical heights, with disastrous economic and social effects.

Naturally any large upward movement of the rate of inflation is tantamount to a serious loss of the real economic accountability of society. Professor Walt Rostow, an economist and official adviser to the late President Kennedy, has produced a graph (see *The Listener,* London, 17 July 1975) based on the cost of living in Britain, beginning in 1661, which presents approximately the following picture: between 1661 and 1793, the cost of living followed an almost unbroken horizontal line. The French Revolution and the British wars against the French Republic and against Napoleon made the line fluctuate erratically up to a maximum of 50 per cent inflation over the previous "normal" level. From 1820—when a quarter of a century of general war had come to a close—to 1830 it gradually returned to "normal." It then remained stable, with minor oscillations, till after the end of the century, i.e. up to 1914. In the long, historical view, the line of relevant data was thus practically straight and more or less unbroken, with a stable British currency from at least 1660, spanning over more than two-and-a-half centuries right up to the First World War.

From then onwards, money increasingly lost its character as a reliable standard of the value and efficiency of labour. In 1920 prices had nominally reached about 10 per cent over "normal" pre-war levels; up to the eve of the Second World War, the nominal price level gradually sank back to perhaps 130 per cent of its pre-1914 value (probably as a result of the serious inter-war slump).

From 1939–40 onwards, the "value" of money became completely separated from its normal economic functions. After the Second World War, nominal price levels soon followed an unbroken upward trend, growing progressively steeper. In Britain, the price curve gradually approached the vertical. Many British prices have now reached between 300 and 500 per cent above the pre-war "normal," relatively stable level, and are still rising. Under the prevailing political and social conditions, nobody is able to predict where this movement will lead during the next 10 or 20 years.

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INCALCULABLE and unpredictable variations like these in the "value" of "money" make any *true* costing of production as well as valid cost estimates of planned investments and projects, and their results, impossible. Innovations and their probable returns can for the most part only be guessed at, with the margins of error gradually getting wider. Many well known projects, acclaimed at their inception, even when started by private concerns, were later found to be economic failures, and the human labour invested in them was lost without return—a total waste for society.

The throwing of money and labour out of the window has become much worse under the management of the state, with its growing direct and indirect interference in the economic and social life of the nation. Government and public sector authorities are generally in a position to invest far greater sums than private companies or groups, and can do so with much less concern for the risks involved. Even when public funds have proved to be completely wasted from the economic point of view, no government is forced to abandon a costly project, but is able to make the taxpayer carry the burden. If a public power decides to abandon planned projects without completing them, this loss is written off, again at the taxpayers' expense, and the incompetent planner does not even lose his job (most private managers would be sacked).

There are numerous examples of the wasteful use of manpower on undertakings of this kind, either abandoned after an expensive start, or else where the efforts are out of proportion to the intended social purpose. Gigantic technological experiments proliferate, and so do their costs. There are expensive experiments for developing the large-scale use of electrical super-conductivity (at temperatures of minus 272 centigrade), but also mammoth investments in enterprises which, by definition, can never produce a profitable "spin-off" in proportion to the huge amount of capital spent, such as space travel. The number of "triumphs of advanced technology" which would never have been regarded as economic propositions by pre-1914 commercial standards is legion. All the losses from these mostly state-sponsored undertakings burden the national "profit and loss" account, even if not expressly accounted for or denied, and they constitute a continuous drain on any nation's working capacity.

This proliferation of state supported or initiated technological risk-taking is another powerful source of inflation: the decline in the efficiency of manpower throughout the nation, as a result of the loss of the means for true measurement and control, is creating an atmosphere among public bodies which favours a variety of gigantic projects. It is unlikely that most of them would have been initiated, or even thought of, in a social atmosphere used to thinking in economic terms such as existed prior to 1914.

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THERE is another cause for the decline of national economic efficiency, or social productivity. The wheels of technological revolution accelerate ever faster and new processes or plants replace the older ones in ever quicker succession, frequently long before they have reached the true span of their economic life. Thus even large plants, representing enormous investments in the form of past labour, are often rendered obsolete and are replaced by new investments representing new labour. This premature obsolescence is obviously a great burden on the national economy, and one not accounted for on the balance sheets of modern semi-totalitarian economies in the West.

This unfortunate development of the modern economy and the complete disappearance of the pre-1914 market society has also led to a distortion of economic concepts and methodology, now replaced by mere statistics. That this is in the main pure self-deception can be illustrated by the modern notion of the "growth ratio of the GNP" i.e. the alleged annual increase of the Gross National Product, based on "statistical evidence."

In order to assess the value of any statistic critically one must always first ask: How have these figures been arrived at? What is the basic material on which they have been calculated?

If one were to dig deeper into the background of these statistics one would soon discover that they were invariably based on inflationary paper money since the innumerable items forming the basis of such assessments must first be reduced to a common denominator which can be fed into a computer.

The "real" value of such money is changing, however, not only in time, but also from industry to industry, and from product to product. No other common denominator is, however, available for this purpose. Usually questionnaires are sent out to a sample of firms, asking for output and sales figures. Sometimes these figures are "adjusted" by a correcting factor which is supposed to eliminate inflation. But this correction can only be very imperfect given the great variety of factors influencing the true value of money at any one time. Therefore these statistical growth figures are largely meaningless and misleading.

Moreover, apart from the effects of the replacement of true money by mere statistics, this method has another, still more serious effect on the prospects for society. For it takes no account of the important question of the *composition* of the alleged growth.

Assuming the national growth figures given to be 5 per cent per annum, it would nevertheless make a fundamental difference to the future of a nation if 4 per cent of this represented productive growth, in capital goods etc., and only 1 per cent went into consumption, or vice versa. In our consumer and welfare-state society (welfare in Britain allegedly absorbing more than 50 per cent of the national income) this is a vital problem for the future, for in the latter case

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society would simply eat up the resources destined for those who come after us.

WITH all its political, social, and other handicaps, how can the economy of the West continue to proceed as at present? We must not overlook the fact that certain social developments can hardly be properly assessed while they are happening. Human capacity has its natural limitations; thus the significance of certain events can only be judged much later.

To give one example: the international indebtedness of nations, institutions, concerns, and companies, is effected nowadays by a new type of international credit which is outside national or international control, and the volume of which is now reaching astronomical proportions. This is based on the so-called "Euro-dollar" and the "Euro-bonds," issued mainly in US dollars but also in other currencies. To give an idea of the recent growth of this modern, financial giant, here are some figures from the Bank for International Settlements (BISC) [1]; the total amount of this international (paper credit) money was (including offshore credits):

in 1969	$44,000 million
1971	$92,000 million
1973	$132,000 million
1974	$145,000 million
1975	$205,000 million
1976	$247,000 million
1979	$1,111,000 million

It is easy to imagine the consequences if, in a serious economic crisis, important debtors, such as countries, state monopolies or large international concerns, were to default on their interest and principal. The ensuing crash would be far worse than that of 1929, since it would hit a Western world which is weaker and more paralysed than half a century ago, and politically far more threatened by internal disintegration and external pressure.

Yet the economic breakdown of 1929 and the crisis of the early 1930s were massive enough to bring about the totalitarian revolution in Germany and the Second World War which, in turn, led to the Soviet occupation of large parts of Europe. Where might a similar explosion land mankind under present conditions?

SO far we have dealt with the transition from a free market economy to a totalitarian economy. The main characteristic of the latter is the downward trend of economic efficiency and the growing dominance of the state. But what about the economies of the already established

[1] Annual Report 1976.

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totalitarian regimes themselves, those systems that have adapted their political structure to the necessities of a centralized economy?

The first result of a successful totalitarian revolution is obviously that it simplifies the job of governing by eliminating the multiplicity of interests and influences which mark a free society. Getting rid of organized labour, but enforcing maximum productive effort with minimum consumption, eliminating industrial and political opposition and even serious criticism from outside makes life easy for the governing elite and the state bureaucracy.

In some respects, however, totalitarian states have similar problems to the democracies; they too have lost any true method or tool for the exact measurement of the productive efficiency of their enterprises. This hits state economies, particularly that of the Soviet Union, even harder, since they have also destroyed that measure of decentralization and economic liberty of exchange, competition and flexibility which still survive in the West. This leads to a further decrease in their overall national efficiency and to a far higher degree of misdirection of resources by the all-powerful state bureaucratic management than is prevalent in the West.

However, since the Soviets have practically reduced their money to the role played by ration coupons, and since they attempt to run their entire economy by rigid planning from above, they have produced an imbalance in their economy which is not comparable with the shortcomings in a market economy.

Under the conditions of dictatorial rule, most of the value actually created flows to those departments of the national economy which the rulers believe to be of greatest importance politically, so as to make the regime as strong as possible. Their priorities are the defence forces and their armaments, the police, the bureaucracy, the secret services, and all means and methods for external expansion. Only then perhaps will come the expenses for their huge pet projects such as space travel, Khrushchev's "opening up the virgin lands in the East," and the investments necessary for making new and indispensable production goods. Only what is left over is for the mass of average consumers.

The distribution of the remaining consumer goods will always be rather uneven: because first, for political reasons, come the big cities which might easily become centres for social and political unrest. Then come the smaller towns, and last of all the farmers, so thinly distributed over the country that they are least likely to become a danger to the regime.

In 1929, under Stalin, and in the early 1930s, enforced collectivization led to mass starvation among peasants in the countryside, probably the greatest and most brutal form of deliberately man-made disaster. The Bolsheviks' ideological illusions about the brutality necessary for building socialism have so far proved an insurmountable

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obstacle to the Soviet system's attempts to lift its agricultural sector from its miserably low level of efficiency.

The present state of Soviet farming best illustrates the prevailing conditions. Tsarist Russia was one of the biggest exporters of grain in the whole world; but agriculture is a consumer industry and therefore not in the forefront of the Soviets' economic thinking. Consequently it is bedevilled by collectivization and subject to bureaucratic misdirection, although food production is perhaps the most important sector in any economy and even a communist regime cannot live without food.

Up to the present the Soviets have used, as a crude yardstick of productive efficiency, a comparison between their own production performance and that of the West. Moreover, from the surplus prodution of the West they have periodically been able to fill the most damaging shortcomings in their own supplies by stop-gap imports of grain, machinery and production plant materials (such as pipes) or other goods. These exchanges, however, would fade out if Western European countries, or a growing number of them, were to become progressively sovietized. Should this happen, at least in Europe, the decline of the Soviet economy would proceed more and more rapidly.

The gross mismanagement and inefficiency of Soviet farming is obviously a result of suppressing the personal initiatives of the individual farmers in favour of a bureaucratic regimentation via mountains of paperwork from Moscow down to the giant *kolkhozes* or *sovkhozes*. The dogmatic blindness of the Soviet system is amply demonstrated if one looks at the small private holdings still permitted: these plots (none bigger than 0·5 or 1·2 acres) still provide the Soviet cities and towns with close on 50 per cent of their eggs and poultry, vegetables and fresh fruit, etc., while state-directed large-scale agriculture stumbles from one disaster to the next.

Nevertheless, in spite of its disastrous results, the Soviets have to continue with this enormously wasteful system for ideological reasons: to revise and replace it by a more liberal system would reduce the power of the bureaucracy and the Party and would appear to them as a betrayal of socialism. Perhaps it would be useful to illustrate the consequences by some of its actual results.

A *Pravda* reporter found that a collective farm was being overwhelmed by "a constant flow of paper from above." No fewer than 773 directives had reached it since the beginning of the year. He then went to the office issuing these directives and was told that during that same year it had itself received no fewer than 6,000 directives for this particular collective farm from the central authorities.

This is the situation in which thousands of farm machines stand idle during the harvest because they have not been repaired in time, or because spare parts were not available. It was once reported that at a given time a third of the combine-harvesters were out of order (*International Herald Tribune*, 17 July 1975).

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In farming, a constant basic factor of production is the area of arable land available. That is why the results of mismanagement in totalitarian farming are more easily observable than in other sectors of the economy. They do exist, however, in all industries and in all the service trades, though the degree of wasteful regimentation may differ. There remains only one main "regulator," i.e. the adjustment of the consumer to the many "planned" or "unplanned" shortages.

Throughout this article we have stressed the tremendous waste of manpower in any economic system which contains totalitarian features, i.e. which is wholly or partly state-directed or state-managed. This also applies to the more "liberal" western world, as we have tried to show.

THE totalitarian world revolution through which we have been passing since 1914 is essentially a political process. This appears to be the final stage of the political adaptation of modern society to the technological, economic and social changes which have been taking place at an ever increasing rate.

This *political* process has an entirely fortuitous, and therefore unpredictable, character. However, the underlying basic changes which constitute the driving force behind all political happenings, are more amenable to analysis and prediction. Once the nature of these changes has been fully understood, certain predictions become possible.

First of all, there is the gradual change of society due to the all-dominating technology. The vital economic and social changes seem initially to be progressive. However, judging by the growing adverse effects of these changes, it is basically a destructive process, particularly if assessed as a broadly-based historical phenomenon.

The economic changes in the Free World, considered by themselves and leaving out all relevant political factors and influences, seem to follow a much slower course than the political changes and one which could probably continue for some time. Political factors, however, are bound to intervene and will greatly accelerate the negative trend. In the near future, political factors will determine the fate of the Free World. This will not surprise anyone interested in politics since the totalitarian world revolution is, in the first instance, a *political* revolution. It is the process which adapts the political structure of modern society to its underlying, technologically determined and centralized material structure, formed over the past few centuries.

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Capitalism, Socialism and the State

Domenico Settembrini

THE state, both in the East and in the West, is becoming an increasingly pervasive and complex fact of life. Faced with this phenomenon, the theoreticians, whether of socialism or of libertarianism, rather than reacting with searching analyses, prefer to retreat into repetition of outworn polemical refrains. Regardless of the reality of totalitarianism in the East, socialist ideology continues to attribute the disordered growth of the state in Western countries to the misdeeds of capitalism. Thus socialization of production, even though by now nobody really knows what that means, remains the correct formula if the West genuinely wants to rationalize the functioning of the state and restrain its ever-growing bureaucracy. Libertarian ideology counters this by attributing the bureaucratic degeneration of superstructures in Western countries to the increasingly massive doses of socialism injected into them in the post-war period. This ideological counter-offensive is incomparably richer in ideas for solving specific problems and is in general more plausible than the first thesis; but it is, nevertheless, analytically weak because it deliberately ignores the political aspect of the problem of the state. The question it evades is whether economic intervention by the state may not respond to actual political needs inherent in the state's specific function, which is to guarantee the order, security and continuity of society. These needs would still have to be satisfied, even if in very different ways from those hitherto promoted and advocated by the social democrats. And in the absence of such questioning it is inevitable that the behaviour of the social-democratic parties and the historical reasons for the emergence of the welfare state in the West should appear inexplicable to the neo-libertarians. Thus, while new motives independent of men's volition constantly arise to complicate and expand the political function of the state, we witness the paradox of the two extreme trends of the opposing ideologies, anarcho-capitalism and collectivism based on world-scale planning, which continue to hold out as realistic the prospect of the actual extinction of the state.

This article does not aim to contribute directly to that new and searching analysis of the state which is so urgently needed. The aim is, rather, the more modest, preliminary task of explaining how it has come about that both libertarianism and socialism have from the outset undervalued, if not actually ignored, the problem, to the point of finding themselves totally without ideas when faced with the reality of the present-day state. This amounts to saying, if the analysis is convincing, that from neither side can we expect to hear a new word

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about this problem so long as the two ideologies persist in remaining rigidly in the rut of their respective traditions.

THE developments that have caused these trends to occupy rigid positions on opposing ideological and political barricades have obscured the fact that in their origins collectivist socialism, anarcho-socialism and anarcho-capitalist individualism are born of common foundations. One of the most important of these is a certain attitude towards the tradition of modern political thought, from Hobbes to Hume. The recognition of the impossibility of doing without the state as the exclusive holder of the instruments of coercion continues, if with differing motives and emphasis, to be the *leitmotiv* of this tradition. For Hobbes, the necessity of an absolute state arises from the natural tendency of all individuals to acquire increasingly unlimited power over each other, with the result that without an arbitrator whose indisputable character it would be disastrous to challenge, society would be in constant danger of running into the anarchy of civil war. Hobbes's conclusions, arrived at by applying to a certain image of human nature the principle " extreme ills demand extreme remedies," were modified by Locke and Hume, believers in a limited state, on the basis of a less unilateral and pessimistic conception both of human nature and of man's relation to nature. If man is by nature not, indeed, an angelic altruist but also not the diabolical egoist that Hobbes seems to think him, it becomes necessary to attribute to the state not only the monopoly of physical force but also the no less important need to guarantee in some way that such use shall not be made of the state's power as would render life within it worse for some or many or for everyone than it would be outside the state or in opposition to it.

Apart from their by no means insignificant differences, what these thinkers have in common is their concern with the central problem of the state: whether, and on what conditions, its existence and aims are justifiable in relation to the existence and aims of the individual and of all the individuals that compose it, so that the good of the state may be identified with the general interests of society. Their merit, in other words, lies in their having raised for the first time the fundamental question whether the state is logically so intertwined with the concept of association that without it any association whatsoever would be impossible (Hobbes) or at least destined to remain very limited in scope and in stability (Locke, Hume). Without this conception, which leads to the theory of the state-by-law, it only remains to envisage the absolute primacy of the state over the individual, thus identifying *a priori* the fortunes of the state with the real good of the individual (Hegel); or to explain the state as a factual reality, resulting from the consolidation in time of the violent predominance of one or more persons over all the rest, as for example in the case of slavery, an institution which cannot be rationally deduced from the concept of association.

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The theory which equates the state, in whatever form, with slavery, and which therefore demands its radical abolition, is one that with a few variations brings together a vast spectrum of ideologies, from utopian socialism to Marxist communism, from anarcho-communism to anarcho-capitalism. It suffers from a formidable inner contradiction. For to explain the practically universal fact of the state, it has to admit that same natural propensity of man to acquire maximum personal power which Hobbes makes use of, much more logically, to justify in theory the inextinguishable necessity of the state. If state and slavery both arise from the natural propensity of individuals to subjugate their fellows, it follows in fact that slavery, and not the state, is the primary reality, in the sense that it is the state that is set up to protect slavery, and not vice versa. It then also follows that if both a private slavery without state and a state that institutionalizes and perpetuates slavery are conceivable, the radical abolition of private slavery, whether actual or potential, is inconceivable without a state that can impose that abolition by force and prevent any revival of it. The truth of this is confirmed by what happened in the United States, where abolition coincided with a strong accentuation of "archism," while slavery was implanted and flourished precisely in the most anarchic phase of that continent's history.[1]

IT must, however, be conceded that the theoretical negation of the state does not even arise before the possibility appears of breaking this vicious circle, giving a historical, and therefore transient, rather than a naturalistic, and therefore permanent, explanation of man's propensity to acquire complete dominion over other men. The way in which Hobbes, and more fully and explicitly Hume, posed the problem already pointed the direction in which the necessary foundation of anarchism should be sought. It is not in fact accurate to say that for Hobbes man is by nature irremediably wicked. It is, rather, the difficulty of easily satisfying his elementary needs that causes him to clash with and mistrust his fellow men. The desire for power over others, rather than becoming an end in itself, is, in short, for Hobbes the only rationally feasible way in nature to ensure survival. And it is its very rationality that, by provoking its generalization, makes it irrational, because from the moment when all have recourse to it, it only complicates the already difficult problem of survival by introducing the danger of war by all against all. Hence the superior rationality of the state, viewed as the sole holder of an absolute power. Admitting that nature

[1] The civil war in fact faced the anarchist and pacifist individualists in America with a great struggle of conscience. Were they to line up with Lincoln, thus violating the principles of anarchism and non-violence, or were they to remain faithful to those principles and let the fate of slavery, which they abhorred, be decided without their participation? W. L. Garrison, the pioneer of individualism and abolition, chose to contradict his principles and warmly support the victory of the North. Only Aldin Ballou remained faithful to radical pacifism, which brought individualism back to its Christian origins, excluding it from politics.

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could offer all men equal and unlimited possibilities of satisfying their needs, not even for Hobbes would the search for physical power over others arise as a means of satisfying our needs at their expense, and therefore the state would not be necessary to protect each of us from the danger of becoming the slave of any other man.

What is implicit in Hobbes, becomes explicit in Hume. Two alternative conditions are necessary to make possible anarchy, no longer understood negatively as war of all against all, but positively as fraternal and spontaneous collaboration between all men. One is that poverty must disappear, leaving in its place "such profuse abundance . . . that, without any uncertainty in the event, without any care or industry on our part, every individual finds himself fully provided with whatever his most voracious appetites can want, or luxurious imagination wish or desire." Such a state of affairs, though regarded by Hume as absolutely impossible, is described in its consequences in almost the same terms that are frequently found in Marx and Engels, especially in *Die deutsche Ideologie*. In such a happy condition, Hume writes, completely freed from need, man would also be freed from fear of his fellow men. There would therefore be no need either for a power to impose respect for the life and goods of others on those who are not prepared to respect them spontaneously, or for the virtue of justice itself. For, as he says, "For what purpose make a partition of goods, where everyone has already more than enough? . . . Why call this object *mine*, when upon the seizing of it by another, I need but stretch out my hand to possess myself of what is equally valuable? Justice, in that case, being totally useless, would be an idle ceremonial." Man's only occupations would be "music, poetry and contemplation; conversation, mirth and friendship his sole amusement." Hume already says long before Marx that egoism, rather than arising from the individual's actual wish to live, is purely a function of poverty. Indeed for Hume, differing in this from Hobbes who made the possibility of non-hostile sentiments between man and man dependent on the existence of the state, a feeling of sympathy much greater than what he regarded as the spontaneous fruit of any pre-state association would prevent negative anarchy from breaking out even in the absence of abundance. This is the alternative condition for making harmonious society possible: "that every man should nourish the greatest benevolence towards every other man and should feel no greater interest in his own property than in that of his neighbours." Thus in that case too "all the human race would form a single family in which everything would be in common and would be used freely without any regard for property." [2]

[2] David Hume, *An Enquiry Concerning the Principles of Morals* (1712). In *Die deutsche Ideologie* (1846), Marx and Engels write: "In communist society, in which each man does not have an exclusive sphere of activity but can become proficient in whatever branch he pleases, society regulates general production, and in such a way that it becomes possible for me to do one thing today and another tomorrow, to go

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After this reformulation of the problem on Hume's part, it is understandable that the combined influence of the industrial revolution and the theories of the classical economists should almost automatically have produced the overthrow of Hobbes's theory about the impossibility of finding a solution for negative anarchy without the artificial and forced reconciliation of contrasting individual interests. The optimism generated by economic growth and its promise of a future of hitherto unimaginable abundance was strengthened, in contradiction to Hobbes's pro-state conclusions, by the economists' explanation of the phenomenon. This, in their view, owed nothing to the intervention of that artificial being, the "Leviathan," but arose quite spontaneously from the natural identification of the interests of every individual effected by the invisible hand of the market, as defined by Adam Smith: "Every individual intends only his own gain, and he is in this, as in so many other cases, led by an invisible hand to promote an end which was no part of his intention." As Elie Halévy says, "This conception of social phenomena, if generalized, makes it possible to foresee the progressive elimination of all laws, and even to demand their immediate suppression. This was, in fact, the conclusion arrived at, in Thomas Paine, and especially in Godwin, by the principle of the new political economy of which Adam Smith was the recognized father." [3] Positive anarchy was born.

IT is therefore no paradox that the most coherent theorization of anarchy should be found today among the American anarcho-capitalists such as David Friedman and Murray Rothbard, or in the less consequential but therefore more realistic version of the minimum state of Robert Nozick.[4] From the inheritance of classical economy these theorists in fact accept everything: the promise of ever greater abundance, the principle of the market, or of the voluntary conciliation of interests, which they extend from economy to politics, and also that modicum of realism which caused Adam Smith to exclude the possibility of a production so abundant that everyone could obtain from it, in exchange for himself contributing according to his own capacities,

hunting in the morning, to go fishing in the afternoon, to look after my animals in the evening, to criticise after dinner, just as I please; without becoming either a hunter or a fisherman or a shepherd or a critic." And Engels, in *Principles of Communism* (1847), describes how poverty is the cause of the inevitable division into classes: "There must always be a dominant class controlling the forces of production, and a poverty-stricken, oppressed class, so long as there is not enough produced not only to supply the immediate wants of all the members of society, but also to provide a surplus of products for the increase of social capital and for the further development of the forces of production": *Principles of Communism*, by F. Engels, in Karl Marx and Friedrich Engels, *The Communist Manifesto* (Martin Lawrence, London, 1930), p. 329.

[3] Elie Halévy, *The Growth of Philosophic Radicalism* (Faber and Faber, London, 1972), p. 488.

[4] David Friedman, *The Machinery of Freedom* (Harper, New York, 1973). Murray N. Rothbard, *For a New Liberty* (Collier, New York, 1978). Robert Nozick, *Anarchy, State and Utopia* (Blackwell, Oxford, 1974).

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a slice sufficient to satisfy all his needs. Besides excluding the arithmetical equality of rewards as propounded by George Bernard Shaw,[5] a crude claim which indeed many socialists also reject, these theorists condemn the egalitarian ideal in any form, including the so-called equality of opportunity. On the basis of Smith's principle of the division of labour, the only way in which humanity can extract from nature the production of the greatest possible wealth is, in fact, in purely logical terms, the spontaneous co-ordination, hence producing the maximum yield, of the different capabilities of its components. But how can the collaboration of each individual be spontaneous, if each is not allowed the full disposal of what he spontaneously succeeds in getting himself paid for it by the others?

Two conditions would be needed to validate this reasoning without having to rectify the conclusions to adapt them to the facts of a more complex reality: first, that the natural inequalities between individuals should be merely of degree, and functional in character, as between a man and a woman, an artist and a scientist, or a sailor and a mountaineer; and secondly, that it should be possible easily to produce an unlimited abundance of goods, or, failing that, that there should exist in all men an innate fellowship such as to make them spontaneously respect each other after each had received the means for a serene life. These are the premises from which European anarchism derives its two versions of the good society: either all being independent owners (Proudhon) or a spontaneous rationing, according to needs, of the resources deriving from the common ownership of the means of production (Cafiero). Now the anarcho-capitalists are characterized by the fact that they do not share these premises. They are not, in fact, unaware that natural inequalities can unfortunately be of a humiliating kind: between the healthy and the sick, the strong and the weak, the genius and the pathological idiot, whereas the functional division between these differentiating inequalities depends on technological development and the market, as a result of which fluctuating unemployment is for them an unavoidable fact. While not regarding man as by nature an anti-social being, the anarcho-capitalists nevertheless consider him so untrustworthy that they envisage, as substitute for the state, private and voluntary associations to guarantee the property and goods of the members. And here the argument either goes off along paths of the most arbitrary utopia of a European kind or, if it is to keep its feet on the ground, ends up by biting its own tail:

> It is true that there can be no absolute guarantee that a purely market society would not fall prey to organized criminality [but]

[5] G. B. Shaw, "The Simple Truth about Socialism," in *The Road to Equality; Ten Unpublished Lectures and Essays by Bernard Shaw* (Beacon Press, Boston, 1971). In 1896, in "What Socialism will be like" (B. Shaw, *Platform and Pulpit: Previously uncollected speeches* (Hill and Wang, New York, 1961), Shaw had advanced a less radical thesis which allowed innovators and artists to get extra incomes over and above the common minimum. In the years of exultation of Stalin's Russia Shaw was to return to this primitive Fabian thesis.

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> the worst that could possibly happen would be for the state to be re-established. And since the state is what we have *now*, any experimentation with a stateless society would have nothing to lose and everything to gain.[6]

But on one point this school of thought has to stick to a rigid egalitarianism: in maintaining the equal right of all by nature to the free disposal of themselves, without which there could be no market economy nor even the voluntary association of "a purely market society." But this is exactly the same point from which Hobbes sets out to demonstrate how, in the absence of the state, the equal right of all to the maximum development of their own unequal capacities cannot in practice be enjoyed by anyone. For the strong and the weak, the healthy and the sick, the intelligent and the stupid are all reduced to the same level of destitution by the radical impossibility for even the most gifted to cope alone with the infinite difficulties and dangers which the nature of their surroundings and of other men causes to weigh upon the survival of each. To escape from this negative equality and make operative the equal right of everyone to be unequal, it becomes necessary to emerge from atomic isolation and associate together.

Let us imagine for a moment resolving the problem, as the anarcho-capitalists wish, by purely voluntary associations and see what would happen both within each association and in the relations between a number of them operating in contiguous spaces. However unimpressive the disparity of capacity between the components of a single association, it is unthinkable that this association should function without some sort of correctives in the distribution of the economic and other benefits which arise from operating together rather than in isolation. Otherwise the condition in which many of the less gifted and fortunate would find themselves would be no better than the natural condition, and therefore association for them would cease to be voluntary. It would therefore be necessary to establish in principle an equal right of all the associates to enjoy at least in some, however minimal, proportion to their needs the increased wellbeing and security arising from the various efforts and capacities of them all. Nor is it thinkable that the association would be formed if all concerned did not from the outset renounce the right to secede from it. The division of tasks in fact carries with it a reciprocal contribution of services among the associates, but at different times. What point would there be in Tom coming today to work in the community as a blacksmith if tomorrow Dick, a doctor, called him out just when he was needed? And how is the principle of the heritage of goods, so dear to the anarcho-capitalists, to be made operative without ordaining the obligatory and permanent character of the association?

[6] Murray N. Rothbard, *Power and Markets. Governments and the Economy* (Institute for Humane Studies, Menlo Park, California, 1970), p. 6.

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To demand the literal application of the principle of voluntariness means requiring that the association should at all times and in all its decisions secure the explicit agreement of all its components. But that amounts to rendering association impossible, in just the same way as happens with the claim of the so-called " unanimous direct democracy " without even the obligation for the individual to submit to decisions approved earlier, typical of European anarchism (Godwin). But to accord a permanent character extending to future generations to the obligations deriving from association signifies baptising the Hobbesian state with another name. There is no way out, as is irrefutably demonstrated by an analysis of the situation in which many voluntary associations would find themselves, each independent and sovereign in relation to the other. The simple fact that one of them happens to have a more favourable natural environment is a reason for possible offence and for necessary preparation to defend it. For defence to be felt to be in the interest of all, the association needs to demonstrate that it is something more than a simple commercial society where each man contributes what he has and receives in proportion to what he has given. Otherwise, what inducement could there be for a man to risk his life who, on the basis of the correct application of this principle, has received little or nothing and in any case less than the rival association is ready to offer him if he defects? Besides, war is an event such that in face of it the purely voluntary character of the association cannot be maintained, even supposing that each of its components had the impression of being perfectly equally treated. No advantage, especially in the past, can in utilitarian terms compare with danger to life.

And since it is impossible to fight with reasonable prospects of victory while leaving individuals free to decide whether and when to risk their lives or to save them, it follows that in war the most voluntary and spontaneous of associations is forced to let itself be absorbed unresistingly into another association, or else transform itself into a state endowed with absolute power of compulsion over its components.[7] The radical elimination of the permanent possibility of war, on the other hand, would demand that rules should be established for the peaceful solution of the inevitable contrasts of interest between the individual associations throughout the world. It would therefore be necessary to create a super-association which, even if it was born of consent by all

[7] Even for a thinker substantially inclined to anarchism like Hume, defence of the community against outside attack is the argument that causes him to opt for " archism ": " And so far am I from thinking . . . that men are utterly incapable of society without government, that I assert the first rudiments of government to arise from quarrels, not among men of the same society, but among those of different societies " (*Treatise*, Book III, Part II, Section VIII, pp. 539–40). Godwin goes even further: " Is not defence necessary against an outside enemy on the part of a community *or against rebellion by its own members*? This is perhaps the most effective argument so far presented in favour of the institution of government " (*Political Justice*, italics added). Not even Hobbes would have been able to object to such a formulation of the problem.

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the contracting parties, to be effectively operative would have to exclude the right of veto from all its subsequent decisions, in other words to transform itself into a world superstate endowed with the monopoly of coercive force.

THE example of negative anarchy reigning in the international field, and the search for ways to overcome it, serve to throw into relief the unsurpassed power of Hobbes's formulation of the problem of the state. The solution of that problem might, indeed, take the form of a super-association of states; but if such a super-association did not, through common decision of its members, have that permanent and obligatory character, and the monopoly of coercive force needed to make it prevail, which Hobbes considered necessary to overcome negative anarchy, how would it in any way differ from the League of Nations and the United Nations, both of which have miserably failed in their task? The fact that Hobbes wrongly held that the only way to safeguard that permanent and obligatory character which makes association into a state was to attribute absolute non-liability to control or criticism [8] to the decisions of the public power has caused many people to lose sight of the inestimable value of his discovery. It lies in having realized that the effective fruition of any right, including the right to associate voluntarily for aims which might be determined and limited in scope, presupposes the existence of a prior and superior association which, even if originating in free agreement and aiming at the greatest possible happiness of all its members, must be something more than, and different from, the mere sum of the wishes of its components. The reason for this is that in actual fact it would be impossible even for an omniscient and perfectly just government to make the supreme good of the association coincide in every instance with the supreme good of each of its components.

This means that man's original act of association, if it is to correspond to the aim of ensuring the maximum possible happiness for everyone, must, paradoxically, produce something more than, and different from, the arithmetical sum of its components: the state. But that body never becomes, for Hobbes, truly transcendental in relation to the individual members. In other words, it never, as with Hegel, takes on the value of an end in and for itself, to which the individuals are merely the means. On the contrary, Hobbes's true originality lies in having affirmed the autonomous reality of the state for the sole purpose of making it an adequate and impartial means of realizing the greatest happiness of the greatest number, and if possible of all. Hence his advice to the king to adapt his own actions to the well-being of his subjects, good government being the only way of preventing revolution, the right to which is not in principle conceded even if the state lacks an autonomous and superior purpose in relation to the

[8] With regard to non-liability and the absolute nature of power in Hobbes, see John Plamenatz, *Man and Society* (Longmans, London, 1969), Vol. I, pp. 148–53.

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happiness of the majority. It is only possible to prevent subjects from making use of the right to rebellion either by intimidating them with the prospect of punishment or by satisfying their demands as far as is compatible with the need to take into account the demands of all. And there can be no doubt that this is for Hobbes the royal way. The alternative is envisaged only for the objective impossibility of finding a synthesis of the contrasting individual interests which can seem good, or at least tolerable, for all. Consensus, in short, is the fundamental basis of the State's stability, towards which force is only a necessary aid.

CERTAINLY, to guarantee the stability of the state, Hobbes found it necessary that its decisions should be absolutely non-liable to control or criticism, so much so that in his exposition, stability and non-liability become one. But in his rigorous wish to avoid proclaiming the sacred nature of the state, Hobbes not only fails to demonstrate the inseparable nature of stability and non-liability but in the sterile attempt to square the circle, drawing absolutist conclusions from utilitarian and pragmatic premises, he ends up by virtually demonstrating the contrary. The case of international anarchy serves once again to emphasize in macroscopic terms what we mean. Here the subjects of an eventual superstate would be not single individuals but differently structured and complex social bodies like nations. Any single one of the members who resented a decision of the international authority would therefore from the outset possess that characteristic of being a state within the state which within the individual units represents the dividing line, so difficult to overcome, between episodes of rebellion that come into the category of current events and revolutions that make history. And this means that the mistakes of the authority would have much more immediate and alarming effects on its stability. Civil war, to avoid which Hobbes advocated the absolute and incontrovertible character of the state, would be a constant threat.

The less practicable expedient of recourse to force would therefore need to be counterbalanced by a greater consensus, such as would be achieved by renouncing both absoluteness and non-liability. Mechanisms which can give all the peoples the possibility of advancing their own interests so that the operative synthesis may as far as possible take them into account, together with other mechanisms which permit of contesting decisions already taken and of trying to modify those that cannot be abrogated, would provide a safety valve for inevitable dissatisfaction, diverting it from adopting the extreme course of revolution. The openness of power to censure and control would in fact help to increase stability. Hobbes was induced to think otherwise by the fact of not having seen that even within the smallest national states authority is not confronted solely by single individuals, against whom it would be reasonable to suppose the Leviathan could easily prevail, but by groups of interests, social classes, ideological groups, ethnic

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minorities and so on, which it must take into account if it does not want constantly to imperil its own stability. And therefore it is important to institutionalize the participation of individuals, either alone or in free association, in the decision-making process. This is obviously so in the case when, as with Hobbes, the only reason to desire non-participation is the stability of the state as such. Otherwise, when the state is taken over by force by a group that intends to use it for its own ends, the non-participation of the other groups corresponds to a functional aim. But this does not prevent the institutionalizing of non-participation being in this case actually the sign of a permanent civil war, waged by the leading group against the rest of society.

IT has been shown how the equal right of all to the free disposal of themselves, on which the libertarians and anarcho-capitalists base the right of each man to associate with others in order to derive from his capabilities the maximum that consumers are prepared to grant him, becomes operative only within a superior association of a different kind, the Hobbesian state, which by its nature must distribute its benefits equally to all. This amounts to saying that economy is subordinate to politics, whereby the principle of each according to his abilities can only prevail if, and as long as, this does not come into violent collision with the principle on which the stability of the state is based—a principle which, instead, demands the most egalitarian possible distribution, relative to needs, of social benefits, economic benefits included. It makes no sense if the state is held to be obliged to guarantee to all who need it the maximum protection from outside violence but at the same time is not in principle obliged to guarantee to all at least an equality of opportunity, and even more so to the less gifted who are below the minimum level for gaining a livelihood on their own. It would be as if the police were expected to give greater protection to the strong while neglecting the weak. Against political " communism "—the fact that the state belongs to everyone, the *res publica* of the Romans—the arguments of the libertarians and anarcho-capitalists have no relevance.[9] Which does not, however, mean that

[9] Rothbard, for example, maintains that the function of the welfare state in relation to the minority of persons who either through birth or through subsequent accident are actually unable to gain a living could with great advantage to all be carried out by private assistance associations. Let us admit this, and let us also admit that the same may be true of the protection of life and liberty of those who cannot pay for that service, which is almost as essential as food. If completely spontaneous solidarity could really suffice for that, it would mean that the unproductive and anti-social elements accounted for so small a percentage as to justify the utopian optimism of European anarchism. And this does not square with Rothbard's realism: " It is very generally assumed that those who postulate a stateless society are also naive enough to believe that, in such a society, all men would be ' good ' and no one would wish to aggress against his neighbour. There is no need to assume any such magical or miraculous change in human nature " (*Power and Markets*, p. 5). It is obvious, on the other hand, that if the number of needy and anti-social people demanded " organized " remedies and a huge and permanent call on resources, the state, thrown out of the window, would come back in by the door.

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economic communism or collectivism necessarily follows from political "communism." Here too Hobbes has something to teach. It is the state that establishes the right of private property, not vice versa. Therefore it follows in principle from the political aspect of the state that collectivism on the economic plane is perfectly permissible.

But to go on from the permissible to the obligatory it would be necessary to show that collectivism is functional for the political stability of the state: which it is not, because if stability is based on a synthetic compromise of interests, no interest, including that of the most gifted, can be compromised beyond a certain point. It is therefore in the name of the political community itself, i.e. in the interest of all, that, according to Hobbes, the state must establish and protect the right of private property. To these exclusively political considerations, the only valid objection would be to show that with productive collectivism the result would be so superior as to guarantee to all, even through an egalitarian distribution, more than each individual, or at least the vast majority of the more gifted, can otherwise obtain. But the exact opposite is true. Only economic competition, and therefore inequality of rewards according to merit, is in a position to guarantee that increasing production which is the basic condition to ensure a rising standard of life for both the less and the more gifted, by means of a redistribution which continually corrects the result of the market's automatic functioning, but without blocking it. So that, when the damage inflicted on world production by the squeezing of capitalism has reached the point of compromising the expectations of income even of those in whose interest the economic intervention of the State is being carried out, it is precisely in the name of political socialism that economic capitalism is urgently restored. This is not a paradox of ours, but the lesson that the former Labour Party member David Marquand has learnt from his country's experience:

> The private sector of the British economy is now so weak that a few more steps in a socialist [collectivist] direction might take it over the frontier. In these circumstances, the only possible strategy for a consistent social democrat . . . is to strengthen the private sector, *to increase the share of the national income going to profits* and to tie Britain more firmly to the rest of the capitalist world.[10]

[10] D. Marquand, "Inquest on a Movement. Labour's Defeat and its Consequences," in *Encounter*, July 1979, p. 17. Italics added. It is moreover significant that Marx based his faith in the scientific rationality of socialism on the conviction of having demonstrated that, beyond a certain point in its development the replacement of capitalism by socialism would be in the interest even of the capitalists, who were unable to grasp it purely because of their ineradicable prejudices and habits. The disavowal of this demonstration provided by economic theory and history therefore justifies the statement that it is Marxistically true that capitalism remains by far the more preferable productive system in the interest of the workers and therefore, paradoxical as it may seem, socialistically the better.

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TO escape these conclusions it would be necessary to believe that equality was a religious absolute which the state was bound to realize, even at the price of precipitately lowering the living standard of everyone. But in that way one would abandon the path of the scientifically critical formulation given by Hobbes for the problem of the legitimacy of power, to return, as do the communists, to a metaphysical conception not substantially different from that of the divine right of kinds, already outdated by modern thinking from Machiavelli onwards. Or, sticking to political and pragmatic terms, in favour of economic collectivism it should be possible to adduce the incompatibility of indefinite economic growth with the survival of the species on earth.[11] But in that case economic collectivism would be preferable for purely political rather than economic reasons. In other words, one would still be following along the path traced by Hobbes—merely emphasizing still further how complex, contradictory, and changeable are the duties of the state in the economy, and therefore how difficult and subject to error it must be to arrive at the political determination of the economic and social optimum.

Disregarding the in any case highly controversial hypothesis linking survival with zero-growth—an objective which, in particular, would leave the more backward countries where they were—a Hobbesian view of the economic problem thus excludes absolute equality of incomes but, for the same reason, also excludes absolute inequality. The criticisms raised by neo-libertarians, anarcho-capitalists and, in general, by the whole school of new economists against the combination of measures whereby the social democracies have made provision to give everyone, irrespective of the value of his personal contribution, a minimum participation in social goods, may be, and for the most part are, technically quite fair. But they do not even scratch the principle on which social democracy is based, because if within the individual societies the opposite principle, that of giving every man the right to full enjoyment of all that nature has provided, were allowed to prevail, each state would run the risk of falling into the same condition of perpetual civil war, whether hot or cold, that we are witnessing on the international scene, where between rich and poor countries the only rule is that of charity-giving aid, at the exclusive discretion of the donor. Basically, what is missing at the international level is a state that carries out an action capable of integrating the more disadvantaged countries into the human community, rather on the lines of what some social democratic countries have done to overcome the centrifugal tendency of the hitherto more numerous and poorer class.[12] Therefore

[11] A hypothesis of this kind is explored by Richard Lowenthal in "The Future of Socialism in the Advanced Democracies" (in *The Socialist Idea*, ed. L. Kolakowski and Stuart Hampshire, Weidenfeld and Nicolson, London, 1974).

[12] At the recent conference of the Ecumenical Council of Churches at the Massachusetts Institute of Technology, the Indian economist C. T. Kurlen stated that between 1960 and 1969 the USA alone consumed more natural resources than the

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it is not enough just to criticize one or other particular social-democratic measure. It is also necessary to indicate an alternative economic policy, capable of securing the same, or even better, results at lower costs and with less danger of bureaucratizing the whole of society. Since the subject of economic policy is the state and a good economic policy enhances its power and stability, it is logical that anyone who—like most of the new economists—remains bound to the anarchist prejudice which regards any form of state, however necessary, as evil, will be unwilling to venture along that road.

THE doctrine of the state, which virtually finds no place in anarchism or libertarianism, would seem, on the other hand, to be a particularly suitable subject of concern for socialist thinkers. For to socialism, equality is an especial preoccupation and one which, given the inequalities that nature distributes blindly, can only come about through the medium of that artificial body which is the state. A trend of extremist folly in fact exists for which the permanent task of the state is to level downwards the superior capabilities that nature produces, in such a way that no one is more intelligent than his neighbour. The crude simplicity of this aim calls for an equally crude and elementary instrument. For the theoreticians of this trend the doctrine of the state is therefore reduced to anticipating what was to happen later under Lenin and Stalin: that the state must have a power "not limited by any law" and exceptional coercive instruments, such as concentration camps and the like.[13]

At the opposite pole, a theorist like Saint-Simon who realized the social importance of the rise of ability and who called Jacobin egalitarianism "une bêtise sanguinaire," nevertheless fell into the error of believing that "the administration of things" could be carried on without the intermediate agency of men, thus anticipating the Utopia of the extinction of the state. Applying Saint-Simon's productivist optimism to the formulation given by Hume to the problem of a possible disappearance of the state, Marx had brought socialism to more rigorously anarchical conclusions. The dominion of man over man arises from poverty, which makes inevitable the division of society into classes. Where there is not enough for all, it is not only inevitable but also progressive that some should secure much more for themselves, thus putting themselves, thanks to exemption from the degradation of manual labour, in a position to endow humanity with discoveries which will enable it to overcome the scourge of poverty. When

whole of humanity in the course of its existence (*Le Monde*, 7 Aug. 1979). Obviously, a disproportion of this kind cannot be balanced in any way merely by "spontaneous" aid.

[13] The best known examples of this trend are Mably and Babeuf in the eighteenth century and G. B. Shaw in the twentieth. At its root is the aristocratic contempt of the thinker and writer for the great creators of wealth. An excellent and shrewd critique of this trend can be found in M. Rothbard, *Egalitarianism as a Revolt against Nature and other Essays* (Libertarian Review Press, Washington, 1974).

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tomorrow, with generalized automation, men will be able to obtain without toil everything they can desire, property, exactly as Hume said, will lose all meaning and disappear of itself. And when there is no longer private property, there will no longer be classes, and where there are no longer classes the dominion of man over man will vanish, and with it the state. And this explains why Marxism, as it has lately become fashionable to discover with wondering eyes, completely lacks any doctrine of the state.[14] Why, in fact, bother about an institution destined soon to be put in a museum of antiquities along with the implements of the Stone Age?

WHAT is more difficult to understand is why on the Social-democratic and Labour side there should also be a general absence of any profound and continuing analysis of the problems of the modern state, especially of the two central problems: how to reconcile the increasing duties and responsibilities of the public power with the protection of the maximum of individual freedom in all spheres; and how to ensure that the necessary participation of organized interests in the formation of public decisions shall not degenerate into the subjection of the state authority to the stronger and more powerful corporations. One of the reasons, and perhaps the main one, for this absence of interest lies in the fact that in practice social democracy has no autonomous tradition. On the contrary, in all countries social democracy has come into being either under the more or less powerful influence of the radical socialist mentality or as directly originating from the womb of socialism—and of a socialism which has always confused in a single aspiration the ideals of collectivism and anarchism, of dictatorship and freedom, of the priority of the "public" over the "private" and of the individual over society, at most arriving with Marx at the conception of the socialist state as a first stage for the realization of the perfectly anarchical community. But the point which ever since the last century has characterized social democracy as an autonomous experiment vis-à-vis socialism is not the conception of the ultimate aim, but the divergence concerning the means and timing to achieve it. So that if you scratch below the surface you perceive that in the depths of the heart of most social democrats there lies the aspiration to a "completely different" society, where harmony between individuals arises spontaneously, without the need for the state to resort to violence in order to administer people. Less deep down—you need only go through the motions of scratching to discover it—the average social democrat, especially when Marxist by conviction or perhaps merely by origin, cherishes the conviction that to arrive at the goal it is necessary to go through a stage of regeneration, in which a renewed public power, completely dedicated to the service of the people, will

[14] Various authors, *Il Marxismo e lo Stato*: Debate of the Italian Left on the theses of Norberto Bobbio (Mondoperaio, Rome, 1976).

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have to guide and urge individuals to shake off the ignorance and bad habits of subordination and servility contracted under the preceding regimes of " exploitation." Unlike the radical socialist, who thinks that only through the swift overthrow of the capitalist social and political order will it then be possible gradually to build up a state-less society, the social democrat is himself an integral gradualist, because he does not believe in the revolutionary will of the masses or in the opportuneness or need of the violent overthrow of institutions when it is so much more practical to gain control of them by stages from within.

To understand the nature of social democracy and its latent tendency in all countries towards radical anti-capitalism, it must be borne in mind that it is everywhere the fruit of the success of capitalism, which instead of moving towards collapse, as was believed by the early socialists and converted by Marx into " scientific " dogma, has achieved mass well-being. So what is to be done, except to play along with it, hoping to arrive in port by another route, not even disdaining the teaching of the fable of the wolf and the grapes? True, to believe that the majority of social democrats have really in their most secret and unconscious minds renounced the overthrow of capitalism, even under the bloodless form of withering away, would be like believing that the wolf completely lost his desire for the grapes because they were too high up. Certainly, long usage to adaptation and postponement blunts aspirations, which in the end seem no longer to exercise any influence on actual behaviour. And this bit by bit causes the more intransigent elements to split off, and if they in turn manage to create a mass party, they then have to go through the same experience as the old original party and renounce revolution, whose standard will pass into ever more desperate and violent hands. But if capitalism for one reason or another enters, or even seems to enter, into a dramatic crisis, we shall then witness, as in 1968, the reverse phenomenon of the re-radicalization of the left fringes, or even of whole social-democratic parties.

Meanwhile, the experience of the two greatest social democracies, Sweden and Britain, showed that the path of the democratic conquest and reformist administration of power was the only one which could really arrive in the West at a point beyond which the socialization of the advantages of capitalism becomes insensibly transmuted into a transition towards collectivism.[15] The dispute about method, which till recently violently separated the communists from social democracy, was thus virtually won by the social democrats, as can be seen from the fact that in the West all the communist parties have now repudiated, even on the theoretical plane, violent, sudden, apocalyptic revolution, belief in which had originally caused them to break away from the common matrix. But the irony of history has brought about the coincidence of this triumph with the resounding failure, one after

[15] Cf. Roy Jenkins' Anglesey speech of January 1976, warning that, because of the growth of public expenditure, Britain was now reaching " the frontiers of social democracy " (quoted by D. Marquand in *Encounter*, July 1979, p. 11 fn.).

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the other, of all the experiments in applied socialism since 1917. Social democracy has had to realize that by following the course it has always pursued it can indeed succeed in overcoming capitalism, but that what has so far been built up beyond capitalism represents, not a stage towards the perfect society, but the most obvious negation of it; and this realization has plunged social democracy into a crisis of identity. It no longer really knows why it should secure victory over capitalism in the spheres where this seems attainable. But to prevent it from adopting a position right outside the socialist-communist tradition, not only with regard to method but also to the ultimate goal, the twofold obstacle arises of its incurably anti-capitalist mentality, and of its still unquenchable aspiration towards a crude egalitarianism, and the consequent lack of ideas concerning the methods and aims of a permanent socialized administration of the market economy through the state.

TWO radically antithetical trends therefore emerge within it. One of them advocates nevertheless continuing along the path within and beyond capitalism, in the hopes of managing to construct beyond it something quite different from and better than socialism as it exists in practice, although none of its theorists can tell us of what this new Utopia should consist. This trend naturally converges towards a historic encounter with European communism, which in Italy has arrived at recognizing that socialism has all to "be invented."[16] If and when the Western communists definitively overcome the remaining links with their Stalinist past and the present-day USSR, and perhaps even before that, the prognosis may be fulfilled that one day socialists and communists would return to "reunite in a common house," with which Leon Blum consoled himself for the split at the Tours Congress of 1920. And the new edifice will be, like the old one and as the communists wanted, radically anti-capitalist, even if the road of access to it passes, as the socialists wanted, through the institutions of capitalist democracy.[17]

The other social democratic trend has, instead, the good sense to ask that before going any further a socialism should be planned which will be really radically different from and better than socialism as applied in practice, not contenting themselves with futile discussions behind which global collectivism would inevitably crop up again. In the meantime, this trend wants social democracy to reinforce the private sector of the economy, which constitutes the sole obstacle capable of arresting the advance of communist totalitarianism. The point of reference of these social democrats is obviously the West German SDP, the only one which, apart from its now relatively

[16] Cf. L. Lombardo Radice, *Un socialismo da inventare* (Editori Riuniti, Rome, 1979).

[17] This is the strategy of the "third way" proposed in Italy, in dispute with the Italian Communist Party, by the theoreticians of the "new course" in the Socialist party and, at least in theory, adopted by the Communist Party itself at its 1979 congress.

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unimportant left wing, has really broken the links with the anti-capitalist prejudices of the past and taken the first steps towards seeking a new model of social democracy. But even in this case they are only "steps," for the weight of the old completely negative attitude towards the state makes itself felt even in social-democratic parties that are no longer anti-capitalist, under the form of a tendency to be satisfied with a good administration of the traditional parliamentary state. But today the powers and dimensions of technology, pollution, and, more generally, ecological deterioration, the energy-crisis, inflation, bureaucratization, corporatism—to mention only a few of the great new problems—demand that the functioning and articulation of the state should be radically rethought. It is in rising to meet this task that social democracy can find a new strategy and a new ideal model, certainly not in dragging out from the anarchist repository old ideas such as self-management, decentralization, the minimum state and the like, which were already inadequate when social and productive life was infinitely less complicated and dangerous than it is today.[18]

[18] D. Marquand ends his article (cf. note 10) thus: "The task now is to work out what the purposes of a new-model, libertarian, decentralist social democracy ought to be." Now we must understand what we mean. A factory self-management that really arose from the free association of groups of workers should undoubtedly be welcomed as something positive. But there is not much to "invent" there, because the legislation of the liberal-democratic States today already contains nothing to prevent the free development of such a phenomenon. If, on the other hand, the only way of achieving a few self-managing islands was to unload on to the collectivity the passive attitude of other factories, where would lie the novelty in relation to the expansion of public expenditure with which the Labour Party had brought Britain to the frontier of collectivism? As for decentralization, it would certainly be absurd to object to decisions on small matters being taken as far as possible by the people directly concerned. But the problem today is how to ensure maximum participation and control over the really big decisions, on which the improvement and even the survival of society depends. Or, in other words, how to preserve the maximum of democratic articulation and individual liberty in a state destined to see its duties and responsibilities increase. Concentrating on questions of decentralization, in these conditions, runs the risk of being a way of obscuring reality.

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Tendencies to Transformation in the Modern European State

Kenneth Minogue

IN preparing the third edition of *The Philosophical Theory of the State* in 1919, Bernard Bosanquet quoted a claim from a contemporary political commentator: "In the face of the growth of Syndicalism in every direction—it is no longer venturesome to assert that the state is dead." [1] Such a remark, made at such an odd time, reminds us that the state belongs with that distinguished class of entities—they include the novel, capitalism, the proscenium arch and political philosophy—which seem to have been dying from the very moment they were born. Nevertheless, the conditions of the late twentieth century seem to me a sufficient justification for looking once more at the "death of the state" thesis which has been so often presented in so many different forms. My concern here is with the modern European state as it has developed since the sixteenth century. The states of North and South America are extensions of this fundamental model, but many of the new states of Africa and Asia have special local characteristics. I should also wish to exclude communist and totalitarian states, which seem to me to raise a rather different set of problems. Such is the domain of the argument, and the hypothesis I propose to consider is that a set of changes in our modern thought and feeling are leading directly to changes in our practices such that it is becoming worthwhile, in the interests of understanding, to consider whether the modern state is dying, and whether some new social and perhaps political form is in the process of being born.

It is certainly true that the study of the modern state is riddled with paradoxes. The central paradox is that while it has acquired such power and authority as quite to dwarf the poor mortals whom it rules, it has on the other hand seldom seemed weaker or more vulnerable. Expansion of power has been paid for by blurredness of focus, and this cumbersome monster of an institution is frequently challenged by a host of corporations and special interests which it ought to have no trouble in dominating. Some of these interests are located within its own bureaucracy, and all of them can count on support in the more electorally vulnerable parts of the state's organization. Special interests and lobbyists keep legislatures under constant siege by persuasion and argument. Additionally, many states face challenges from terrorist groups seeking nationalist or revolutionary ends, and they have not been very successful in meeting such challenges. Earlier

[1] The reference is to M. P. Follett, *The New State* (London, 1918). See the *Philosophical Theory of the State* (London, 1920), p. liv.

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in the century, Keynesian dreams of managing the economy lured governments into undertaking the perilous responsibility of economic prosperity, and after several decades of success, states now find themselves almost incapable of controlling unemployment and inflation. The same outward thrust that has led governments to become bigger and apparently more powerful has also led them into a feverish passion for reforming everything they can touch, a fever we may call legislative hyperactivism.[2] The reformed administrative structures are usually much worse (they are always more expensive) than those replaced. But the fever of hyperactivism continues unabated, and has led governments into one of the interesting innovations which counts as supporting evidence for the hypothesis I am advancing. I refer to didactic legislation, which advises people to do things for their own good.[3] Governmentally enforced warnings about dangers to health on cigarette packets are one example of this, and the recent Swedish legislation prohibiting parents from causing "physical or mental distress" to their children by way of punishment—legislation which is admittedly quite unenforceable—is another example. The spreading practice of making compulsory the wearing of seat belts in motor vehicles is another case. The other side of the coin of didactic legislation is undidactic bullying, as when a government chooses to enforce its will not through constitutional channels (because perhaps the legislature would not in fact pass the legislation) but through its exercise of patronage as a large-scale source of economic demand. One case would be the blacklisting by the former British Labour government of firms which did not follow the government's pay guidelines.

The *power* of the state is thus in a curious condition of simultaneous expansion and contraction. What is even more significant is the slow change in the *authority* exercised by the state. Such authority rests ultimately upon nothing more than the beliefs of the citizens. The beliefs of modern citizens are often systematically hostile to any idea of authority at all, and a variety of movements of civil disobedience claim that laws should be judged not in terms of authoritativeness, but of whether one thinks them right or not. Since people vary very greatly in their judgments of rightness, such a principle is one precondition for a slide into anarchy. Hobbes recognized it as the basis of his state of nature, which was a state of war of all

[2] I have dealt with this idea in "Hyperactivism in Modern British Politics" in Maurice Cowling (ed.), *Conservative Essays* (London, 1978), pp. 117–130. Some of the paradoxes resulting from it are brilliantly explored in "The Brusque Recessional," by Norman McCrae in *The Economist*, 23 Dec. 1978.

[3] It may be objected, of course, that many laws of previous centuries were unenforced, or unenforceable, or both—most obviously, laws on sexual matters such as homosexuality, and the "lewd and lascivious kissing" forbidden in some American states. No doubt moral declaration has always played some part in the point of laws. But this element in the past expressed a religious world view; it was not merely someone's bright idea of what was good for people.

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against all.[4] Things are, of course, nowhere near such a pass, for reasons to which we may advert briefly in our conclusion. But the spread of a doctrine of civil disobedience creates problems for governments of a kind hardly envisaged before 1918, or even 1945.

Next we may consider one of the causes of this spreading disposition: namely, the collapse of the notion that acting on behalf of the state may justify otherwise morally challengeable acts. It will be remembered that from Machiavelli onwards, men had believed that the state was a different kind of entity from an individual, and that as a consequence the state had immunity, when necessary, from ordinary moral restraints. Reason of state[5] very quickly blossomed into a piece of monarchial self-indulgence. Canons, the seventeenth-century inscription went, are the arguments of princes. The doctrine (though not of course the practice) of necessities of state met its Waterloo in the idea of war guilt, and later in the Nuremburg trials. A significant step in this development has been President Carter's human rights programme, and the judgment against the British government at the Court of Human Rights at Strasbourg on the question of interrogating those arrested on suspicion of terrorist involvement in Northern Ireland. The doctrine of superior orders has never, of course, been strictly a defence to a criminal charge in British law,[6] but it has always played an important, if diminishing, role in European moral self-justification.

Part of the reason for the obsolescence of the doctrine of reason of state is to be found in the collapse of the sovereign's remoteness. At its height, the European state had a majesty whose harming (i.e. *lèse-majesté*)[7] provoked terrible penalties. The very symbol of the terror evoked by the state was the executioner; the adoption by Mussolini of the Roman symbol of the *fasces* as the emblem of his movement was a reminder of this dramatic resource, a resource which modern states have almost everywhere abandoned. After the most troublesome trials, the convicted modern terrorist who would in earlier centuries have suffered the penalties of treason, not only goes on living, but lives in accordance with the relatively soft modern prison regimes. No rack, no dark and rat-infested dungeon, no gallows for him. It might seem that this greening of governments, now mild

[4] Thus in *Leviathan*, he tells us: "For those men that are so remissly governed, that they dare take up arms to defend, or introduce an opinion, are still in war; and their condition not peace, but only a cessation of arms for fear of one another; and they live, as it were, in the precincts of battle continually." *Leviathan*, Blackwell edition, edited by Michael Oakeshott (Oxford, n.d.), p. 117.

[5] See, for an extended treatment of reason of state, the essays in several languages contained in Roman Schnur (ed.), *Staatsräson* (Berlin, 1974).

[6] See A. V. Dicey, *Introduction to the Law of the Constitution* (9th ed., 1939), Chap. IX: "When a soldier is put on trial on a charge of crime, obedience to superior orders is not of itself a defence" (p. 302). A more modern authority is S. A. de Smith, *Constitutional and Administrative Law* (London, 1971), Chap. 8, p. 210.

[7] See Floyd Seyward Lear, "The Idea of Majesty in Roman Political Thought," in *Essays in History and Political Theory*, in honour of Charles Howard McIlwain (Cambridge, Mass., 1936).

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towards their subjects and efficient in providing for their welfare, might strengthen the state by creating a greater loyalty than was possible when the sovereign was remote, and usually also an alien. No such thing has happened. The loyalty of subjects has become increasingly conditional, even, indeed, the loyalty of its own employees. For it is a striking feature of the modern world that governments now seem unable to keep secrets. There is always to be found a secretary, a junior employee, or a calculating participant ready, for money, or doctrine, or the satisfaction of a grievance, to spread government secrets abroad. As with all the changes so far detailed, there are good and bad aspects of all of these changes. It is important, however, not to conclude that they are all unmixed blessings. That we should more easily know what governments are up to is often welcomed as an extension of freedom of information; and given the kinds of dreadful things they often do get up to, one is fortunate to be warned. But the idea that deviousness has been defeated because the age of secrets seems to have passed would be very simple-minded indeed.

Such is a brief specification of what seem to me to be the changes in the last few decades which make it worthwhile to reopen the old question of whether the modern European state is dying. Such a question is, of course, couched in a crude practical idiom, and involves us in a certain amount of methodological crudity. All human institutions are in a process of continual change, and hence to deal in such an abstraction as "the modern state" is already a flight from the historical realities that concern us. In order to discuss the problem as we have posed it, we must assume an earlier period of transition at the end of the Middle Ages, in which the modern state came into existence, and now a later period of transition in which it goes out of existence. What intervenes between these periods of transition is the high tide of the modern state. *Floreat*, as we might say, sixteenth to twentieth centuries. The temporal limits are crude; and the spatial ones no less so. The French, for example, and the Prussians, thought a lot about the state. The English and the Italians hardly knew they had one. The Italians, in fact, did not have one, until quite late. It follows from these considerations that a process of ruthless abstraction is at work in the argument which follows. *Caveat lector.*

THE modern European state [8] came into existence as the result of a concentration of previously dispersed powers. In the middle ages, there was no such thing as a state because men lived under a variety of different authorities, each having its own sphere. In particular, civil and ecclesiastical realms were quite separate, and

[8] For a clear account of the appearance of the word to describe this new thing, see A. P. D'Entreves, *The Notion of the State* (Oxford, 1967), p. 28 ff.

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frequently came into conflict. But with the decline of papal power after 1307 when the Papacy moved to Avignon, the power of monarchs increased steadily. In the sixteenth century, kings all over Europe took over many of the powers—and particularly the powers of education and instruction—which had previously belonged to the ecclesiastical sphere. On this point, the choice of Catholicism or Protestantism made little difference. In the seventeenth century, kings became strong enough to reduce to impotence or even dispense altogether with the assemblies of estates of the realm through which the nobility had previously exercised a great influence. And the steady growth of centralizing bureaucracies, combined with the development of something like a science of public administration, led in time to the extinction of the many local powers and jurisdictions which had survived the middle ages. The story of the modern state is the story of increasing centralization. In the early period, this centralization had the king and his court as its focus, but later developments showed clearly that the king had no necessary place in this evolution. Accretion of power could as easily focus on an abstract sovereignty exercising its power in the name of the people.

Since the state emerged by way of the concentration of power, we might well expect it to disappear by way of the break up of that concentration. In recent times, new corporations, new "countervailing powers"[9] have prospered to a point where the very activity of government itself is regarded as the activity of creating a consensus. Significantly enough, those in the early period of the state who thought most carefully about the matter recognized such pluralism as being the main danger to the state. Hobbes talked of worms in the entrails of the body politic,[10] and Rousseau was hostile to bodies that intervened between the citizen and the state.[11]

Our next problem is to explain why the mediaeval plurality of authorities should have broken down in such a way as to generate the modern state. My answer to this question is an entirely familiar one, though I wish to draw from it one or two less familiar implications. The answer lies in the growth of individualism. A state is an association of human beings, and in the course of the late middle ages, the character of the associates began to change. The fundamental question, which is still debated, is whether structural changes in the economy caused a change in European behaviour, or whether changes in thought and feeling led to changes in political and social struc-

[9] See, for example, J. K. Galbraith, *American Capitalism: The Concept of Countervailing Power* (London, 1963).

[10] Hobbes refers to great numbers of corporations in this manner and reckons them to be causes of the dissolution of the Commonwealth. See *Leviathan*, op cit. Chap. 29, p. 218.

[11] In Book IV of *The Social Contract*, Rousseau tells us that the common interest deteriorates "When particular interests begin to make themselves felt and lesser associations to influence the whole. . . ." See F. N. Watkins (ed.), *Rousseau: Political Writings* (London, 1953), Book IV, Chap. 1, p. 114.

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tures. This question lies to one side of our present purpose. All we need to do is note the Burckhardtian picture of an Italy "swarming with individuality" and spreading by the brilliance of its culture similar sentiments of individuality to an already receptive audience elsewhere. The sources of this individuality are to be found in the slow working out of the theology of the Christian religion. Traditional social bonds began to dissolve and a new breed of adventurers in every field of human endeavour began to create the form of civilization we associate with modernity. Men began to think morally in terms of such ideas as conscience, will and rights. The obvious danger of the new individualism was that these colliding wills would produce a social chaos and the solution was a vast increase in both the power and the authority of the monarch, whose sovereignty was recognized (most brilliantly by Hobbes) as the only agency that could sustain a settled legal order.[12]

NOW the fundamental principle by which we may explain the history of the modern European state is clearly that of liberty. Modern European history is the story of men and groups claiming the right to do new and unprecedented things, of the success of these claims, and of the political adjustments consequent upon them. Individuality itself is but one version of this claim to liberty: the individual is the very substance of liberty. One of the earliest assertions of this principle was Protestantism in religion. Students of emerging individuality have given no less attention to the claim to dispose of property freely according to what the buyers and sellers imagined to be its commercial value, untrammelled by feudal restrictions of tenure. This claim is, somewhat crudely, identified with the bourgeois class, whose actions are often thought to be the key to the whole development. From those early times down to the twentieth century, the history of Europe may be (as it often has been) judged as the succession of claims made to liberty. These claims have been various in nearly every way. Liberty to do different things has been claimed on behalf of a variety of different entities, but the central theme remains the same. At the heart of this theme lies a concept of human life as itself consisting in the exercise of freedom, and of slavery and subjection as being incompatible with a proper human life. The presuppositions of the modern European state rest, thus, immediately upon a concept of liberty, and more profoundly, upon an idea of what it is to be a human being. We must now observe the way in

[12] This account of the origins of modern Europe, which was taken up in different forms by Marx and Weber, has recently been interestingly criticized by Alan McFarlane, *The Origins of English Individualism* (Oxford, 1978). McFarlane's argument is that the contrast between peasant societies and market societies will not explain English social history and that we can go back as far as A.D. 1200 and still find that England was not a country of peasant households, and that its landholding practices were individualistic and would be what is now called "capitalistic." My argument, which does not depend upon any particular point of social transition, is not seriously affected by this challenge.

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which the yeast of the principle of liberty has worked with the dough of European political institutions.

We must begin, however, with a problem. If the principle of liberty was so important, why did Europeans create, in the form of the sovereign state, a power so terrifying as to become very quickly recognized as itself almost the greatest threat to liberty imaginable. Or, as John Locke expressed this problem: to believe that government should be absolute is "to think that Men are so foolish that they take care to avoid what Mischiefs may be done them by *Pole-Cats,* or *Foxes,* but are content, nay, think it Safety, to be devoured by *Lions.*" [13] The answer to this question is twofold: first, that only such a strong and concentrated power could become "king of the proud" (as Hobbes put it) and bring order to turbulent rational individualists. Sovereignty, in other words, complemented individuality. The second part of the answer is that only such a sovereign law could *unmake* the laws inherited from the middle ages, and thus liberate Europeans from traditional limitations upon their freedom of action. It is a historical commonplace that Europeans of the early middle ages clung tenaciously to inherited law. No doubt changes took place in the law, but they occurred in the guise of "discoveries" in areas of law where innovation could be masked by forgetfulness. As we approach modern times, however, sovereign powers begin to legislate with a new fluency, and the amount of legislation in most states has steadily increased right up to the legislative deluge under which we currently live. Whether our conviction that we live in an "increasingly complex world" is a cause or consequence of this massive deployment of the tool of law is a complicated question.

There is, therefore, no serious problem in the fact that the first significant product of the new modernizing thrust towards freedom among Europeans was a sovereign power which seemed to constitute a direct threat to that very freedom.

THE modern European state, then, was actually brought into existence by a lust for liberty developing among Europeans, especially the nobility and the town-dwellers, in the later middle ages. But this concern for liberty soon began to transform the very creature it had itself created. One of the most typical of all political situations is that of the Liberator turning into the Oppressor. Europeans, and especially Englishmen, commonly found the new sovereign power oppressive. They needed a sovereign, but they were not sure they could live with it. One consequence was the elaboration of medieval

[13] John Locke, *Two Treatises of Government*, edited by Peter Laslett (Cambridge, 1963). The passage comes from the Second Treatise, S. 93, p. 346. Laslett in a note thinks it more likely that Locke is thinking here of Sir Robert Filmer than of Hobbes, but he gives little reason for thinking this, and there seems no reason why Locke should not have been thinking of both writers, and perhaps of many others.

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beliefs about consent and representation into the set of doctrines we now call liberalism. Even the most absolute of European states was distinguishable from an oriental despotism. Fundamental laws and entrenched privileges limited the sovereign's freedom of action. But from very early on, wilful rulers explored and expanded the range of sovereign power in actions which were resented by their subjects as capricious, arbitrary and at times even despotic. The English civil war was a struggle against just such arbitrary government. It ended by circumscribing the prerogative powers of government, and in establishing firmly some of the most fundamental principles of due process, as in the Habeas Corpus Act of 1679. In the next century, *lettres de cachet* became an important issue in France. The Declaration of the Rights of Man in 1789 was at least a theoretical solution to the problems involved here. In practice, European states have exhibited no more than a fitful adherence to the niceties of the rule of law, and it is significant that often violations of due process have been popular with subjects, as in times of war. But we may suggest that the insouciance of sovereigns and arbitrary and capricious behaviour is part of the cause of the current decline of the idea of the state.

That modern liberalism should emerge from the operation of the principle of liberty is easily understandable. What is much less evident is that the principle of liberty should have brought forth the two new developments which we may call Democracy and Nationalism. The reader should be warned that, in the interests of abbreviation, both these terms are used in a slightly extended sense.

The question posed by the arrival of the modern European state on the scene may be put as follows: How can men who regard themselves as free yet be subject to such an absolute power? We may borrow Rousseau's celebrated formulation of the question in *The Social Contract*, I, 6. We must, said Rousseau, find a form of association "where each, while joining with all the rest, still obeys no one but himself and remains as free as before." [14] To understand the point of the question, we need to remember that the situation of most Europeans in the early modern period was that they were ruled by foreigners who often could not even speak the language of those they ruled. The provinces of Europe frequently endured changes of ruler according to the hazard of treaties, or conquest, or even as bits of dowry in some complex marriage settlement. Many critical Europeans regarded the dynastic politics of their rulers as entirely alien and unrelated to their own interests; and, in the case of Immanuel Kant, as being the main cause of the scourge of war.[15]

[14] *The Social Contract*, op. cit. Book I, Chap. 6, p. 15.

[15] See, for example, "The First Definitive Article of a Perpetual Peace: that the Civil Constitution of Every State shall be Republican," in *Perpetual Peace: A Philosophical Sketch*. This essay can be found in *Kant's Political Writings* (ed.) Hans Reiss, trans. H. B. Nisbett (Cambridge, 1970). The first article is on p. 99.

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To be subject to such rulers appeared to be a violation of the principle of liberty. We may note, though only in passing, the crucial point that the main business of rulers is to sustain and enforce a body of law, and that in most cases it is misleading to talk of law as a command, and of law-abiding behaviour as obedient behaviour. In the ordinary course of life, I do not "obey" the law which decrees punishment for murder, nor do I "obey" contract or probate law. Such laws are the guidelines within which I direct my actions, and must have an evident rationality. It is partly for this reason that Thomas Hobbes, who produced much the most brilliant account of the state, did not take the problem we are dealing with very seriously.[16] The sovereign who sustains the law in *Leviathan* is *authorized* to rule by his consenting subjects and hence taken automatically to have a representative character. His characteristic mode of operation is by laws. Nevertheless, Hobbes's dramatic insistence that the sovereign power must be absolute and unconstrained, combined with the practical possibility that the sovereign might actually command unacceptable kinds of religions, forced his problem to the forefront.

Locke's liberal solution to the problem was to entrench natural rights as inalienable to men entering into a social contract, and to interpret the legislative and executive powers as being exercised in trust for the people. But the typical answer to this problem as it preoccupied Europeans, can be summed up in the term Democracy. The solution had to bridge the gap between rulers and ruled, and the ideal solution was one in which the rulers were nothing else but agents of the people themselves. In other words, one implication of this whole complex of thought is that the ideal situation is one in which government, construed as the alienation of men called rulers and exercising power has disappeared altogether. Some writers around the time of the French revolution, such as Tom Paine[17] and François Babeuf are explicit about this, and it was an implication of the principle of liberty which came into its own in the great nineteenth-century socialist ambition of substituting the administration of things for the government of men. In the twentieth century, it remains powerful in the ideas of democracy and participation. Rosseau thought that the gap could be closed, and a genuine commu-

[16] Thus Hobbes tells us in Chap. 30: "For the use of laws, which are but rules authorized, is not to bind the people from all voluntary actions; but to direct and keep them in such a motion, as not to hurt themselves by their own impetuous desires, rashness, or indiscretion; as hedges are set, not to stop travellers, but to keep them in their way." *Leviathan*, op. cit. p. 227.

[17] A powerful theme of earlier political thought is the idea that government, and hence the state, rests upon conquest, and is therefore essentially bad. The puritans of the seventeenth century derived English government from William's conquest in 1066, while government in France was thought to derive from Clovis and his Franks who conquered Gaul at the end of the fifth century. These ideas were still very powerful during the French revolution. Government, said Tom Paine, is a badge of ancient oppression, unnecessary (p. 47), expensive (p. 104) and had its origin in violence (p. 163). See *The Rights of Man*, Everyman Edition (London, 1950).

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nity established, in terms of the idea of the general will. And in the world of practical politics revolutions and constitutional crises all over Europe began to produce a world first of manhood suffrage, then of universal suffrage, and in more recent years, suffrage for those as young as 18. Democracy, Marx remarked, is the resolved mystery of all constitutions,[18] and if this is true, the mystery had been universally resolved by the early years of the twentieth century.

BUT what is the significance of this triumph of democracy? On the face of it, the modern European state began as a civil association governed by a small elite. All were subjects, few were really citizens. If politics is the bringing of one's interests to a process of negotiation and compromise (and however narrow and unsatisfactory a view this is, it is at times plausible) then surely all interests ought to be represented in the process. Such was the argument which was able to present the extension of the franchise as the steady unfolding of what was logically involved in the whole idea of a civil society. The argument rests, however, upon a mistake. The paucity of citizens in the early modern period was not a contingent defect but a necessary feature of the modern European state. Those who actually took part in politics belonged to a complex structure of representation which included at its remoter edges women, children, clients of one kind or another, and domestic servants. The men who actually voted in sixteenth- and seventeenth-century England, much less those who actually held office and went to Parliament, were *already* representative. They were, one might say, small powers in their own right, and the basis of that power was the household. The politics of the modern European state was a politics of patriarchs, and an implicit federalism was built into the structure of its practices. The extension of political rights to virtually everybody (and the movement continues unabated with many pressing for children's rights)[19] was not the completion of what was logically implied in the institution, but its destruction. It revolutionized both the theory and practice of modern politics. It

[18] See " The contribution to the critique of Hegel's Philosophy of Law " in Karl Marx, Frederick Engels, *Collected Works* (London, 1975), Vol. 3, b.p. 29 to 32.

[19] Just how far this tendency may go can be illustrated by the current belief that children " require people and organizations negotiating exclusively on *their* behalf as opposed to going through parents, teachers, social workers, doctors or magistrates." The children's rights movement quotes William Morris as saying: " Children are persons not property and so have the right to claim all the advantages which the community provides for everyone." And the policy of the movement leads to " a children in care appeals tribunal; a standing commission on children's affairs to monitor, mobilize and advise on long-term policy issues, and taking on part of the role vacated by the now defunct Central Advisory Councils on Education . . . and finally a National Children's Legal Centre with perhaps local units to provide a direct service to children, take up national and local issues, set up test cases, and campaign for new legislation." This account of the present state of play is by Rick Rogers and was published both in the magazine *Where* for Oct. 1979, and in *The Guardian* of 2 Oct. 1979. In its fertility of bureaucratic inventiveness, and its hostility to any areas of spontaneous living beyond the reach of state legislation, it epitomizes the emerging society better than anything else I have come across.

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necessarily involved an increasing identification of the sphere of the political (the public space subject to regulation) with the social (which is the life of the household eddying forth into the public space) and the economic (which was also steadily losing its household character).[20] To say that extension of the franchise destroyed a central feature of the state does not, of course, imply that this development ought to be deplored. Most human developments include both good and bad features, but it is not our business to deal with them. What is important is to recognize that a development which was long argued as a logical extension of the idea of the state does in fact involve its destruction. And this was recognized by Marx and Engels, for whom this development was an apocalyptic one to be welcomed, and who talked not of the democratization of the state, but of its withering away.

We have said that, apart from the continuing item of liberalism on the agenda of the modern state, the principle of liberty has led to both democracy and nationalism. We have now seen the way in which the principle of democratization came to transform the state. Let us now turn to the principle of nationalism.

We have so far been dealing with human beings construed as individual wills. On this assumption, the problem of liberty consists in bringing the will of the citizen and the will of the government into the closest possible harmony. But man may also be understood not as in individual *will,* but as a creature having a particular sort of social *nature.* Many possible natures are available options for thought and action along these lines, but the first and still the most influential option is to understand human beings as members of groups called nations. This is why we may conveniently in this article call this the principle of nationality, even though such a name mistakes the part for a larger whole which includes sex, class, race and much else. But as members of nations, men could be understood as essentially self-governing; and it could further be thought that if they were governed in a properly national manner, by members of the same nation, then there could be no invasion of their liberty. On the other hand, to be ruled by foreigners was always an invasion of liberty, called oppression.

It is at least plausible to suggest that men, in their capacity of fellow nationals will automatically agree on a large number of questions. The preservation and development of national values will be a policy requiring no serious deliberation by the members of the nation. The plausibility is no doubt often illusory. Being a woman, or a fellow-national, or a Slav, or a working man need not in fact give one much in common with other members of the group. But it has turned out to be influential. In terms of democracy, representative-

[20] The transformation of the idea of the " political " is a branch of our general theme, and has been treated at length by such writers as Hannah Arendt, *The Human Condition* (Chicago, 1958) and Sheldon Wolin, *Politics and Vision* (London, 1961).

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ness requires elections, but this theory is able to dispense with such unpredictable and burdensome rituals. Any woman can, in terms of the theory, plausibly claim to speak for women, while a ruler of the same race or colour as his subjects is thought to be automatically representative, and thus to be less alienated than a foreign ruler would be.

It happened that the principle of nationality first made its appearance in Europe early in the nineteenth century as the diagnosis of a pathological condition affecting most European politics. Most of the nationalities of Europe were suffering from oppression by more powerful neighbours, and hence the first item on the extensive agenda of national liberation was to remake the world as a set of nationally homogeneous units. Before long, this project found itself clashing with other, similar projects for creating a socially, or racially homogeneous world. But that is too extensive a story for a sketch of this kind. We may merely note that the eruption of modern ideologies into European politics in the nineteenth century may be understood as a part of the continuing ferment aroused by the conception of human beings as free exercisers of will in a continuing battle against social and political enslavement.

IT will be obvious that these two subordinate principles of liberty are far from harmonious. A man freely exercising his own will may, perhaps, choose to be proud of his nationality and to cultivate its usages; and perhaps most men do so in some degree. But there are many who will not do so, including those many millions who have chosen to give up their nationality and to emigrate to countries where they think the opportunities for individual or family advancement are better. Correspondingly, the liberty of the nation, or other collectivity, may well involve suppression of what people desire to do. The nationality may, for example, choose to define itself in terms of a religion (or in terms of hostility to religions) and this may be unacceptable to some members of the nation.

The Hobbesian state of early modern Europe thus came to be both democratized and, as it were, collectivized. Hobbes's account of the state was no doubt more than ordinarily remote from the realities of his time, since all manner of traditional cohesions helped to solidify the realms of seventeenth-century Europe. But there is no doubt that he caught the essence of the civil condition. Such a Hobbesian state has come, over the centuries, to be democratized and collectivized. The democratization is a simple matter of allowing everyone at least the right to participate in politics. The collectivization consists of seeking to develop a society (usually called, in fact, "Society") which is not *fundamentally* divided in its tastes or attitudes. It will be obvious, of course, that what is fundamentally divisive is a matter of fashion. Religion is a conspicuous case of an identity which in the past could reduce a realm to civil war, but which today in most cases has become

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a matter of taste.[21] It has proved difficult to make race a similarly minor contingency of politics, but most people in Europe are currently trying. The communist attempt to make class the basis of war *within* society is no exception, since it is but the prelude to an even greater collectivization. Sex has lately emerged as a division with some political implications. But in spite of these fissures, which can indeed occasionally tear whole states apart, we may report a steady homogenization of the way of life in modern industrial society.

Our problem is, then, the following: Have these processes of democratization and collectivization merely completed the unfinished business left over from the disappearance of the medieval world? Or do they constitute the destruction of the modern European state as we have know it? There are, of course, definitional ploys which could reduce this question to triviality, but we may begin to conclude by pointing to the real issues the question raises.

WE have so far glancingly referred to one or two political philosophers as a source of orientation in this complicated landscape, but we have not thus far referred to Hegel, who might well be claimed as the philosopher who has mapped it most thoroughly. Hegel took the view that the state was the culminating rationality of any properly developed human society, and that the modern European state was the rational culmination of history.[22] He incorporated both will and nature into his theory of the state. The human will is its source, but the human will is historically and culturally located as a thing having roots in nature. Thus Hegel recognized the operation of what we have called the principle of liberty, and mitigated the alienness of rulers by showing that necessities of state ultimately reflected the development of society, in which all men participated.

But history knows nothing of culminations. The river moves on, and in the case of Hegel's account of reality, it moved on in two significant directions. The first was that some critics of Hegel took his reconciliation between reason and practice to be a kind of metaphysician's trick. The philosopher's understanding of the rational coherence of the state was of precious little use to the ordinary man, who would continue to suffer from the wars, taxes and other caprices of his ruler. Hence emerged the Marxist programme which turned Hegel's philosophy into a blueprint for practice. The business of constructing, in the here and now, a rationally coherent life for all human beings, was forcefully put on the agenda of Europeans, and one of its explicit predictions was that the state would wither away.

[21] There are, of course, exceptions to this generalization such as Ulster; and the present ferment in Islam reminds us that there are no items which are permanently off the agenda of history.

[22] See, particularly, *The Philosophy of Right*, trans. T. M. Knox (Oxford, 1952), S. 341 to the end, and of course the *Lectures on the Philosophy of World History: Introduction: Reason in History*, trans. H. B. Nisbet, ed. Duncan Forbes (Cambridge, 1975), p. 95: " The divine principle in the State is the Idea made manifest on earth."

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The second development was that Hegel's thought was appropriated by patriotic publicists. His philosophical style had always disposed him to such grandiose remarks as that the state is the march of God on earth. How seriously those remarks were intended—indeed, quite what they actually mean—is a subject of much dispute, but what cannot be easily disputed is that they were taken up and used to give a bogus philosophical grandeur to the opinions of publicists in all the major European states about the imperial or civilizing missions of their people. A rather mindless patriotism became, at least in some circles, the vogue, and it is conventional to see the ferocity of the war of 1914–18 as resulting from this long doctrinal build-up. The German support for Nazi policies up to 1945 has often been attributed to the same cause. It is clear that the idea of the state had been stretched too far, and it had snapped.

Whatever the force of these considerations—and they certainly constitute the main part of the legend of the civil disobedience movement which most directly assaults the traditional idea of the modern state—they have certainly often been adduced in arguments tending to the conclusion that the individual has a duty to disobey the state if he disapproves of its acts. But at a deeper level, we discover the decline of that individualism to which we attributed the rise of the modern state. A more crowded and interdependent world affords less room for the cultivation of individuality, and a whole ethos of egalitarianism has grown up to discourage the cultivation of individual differences. We are no doubt all individually distinct, remarks one recent academic writer, but "To be an individualist is to embrace this fate with a suspicious alacrity, to make a vice out of a necessity."[23] And the upshot of the argument is an almost oriental suspicion that individualism is no more than unbridled egoism—a mistake against which many writers have warned us.[24] The decline of individualism has been widely noted and explored,[25] but it is a confusing phenomenon in this context because it has taken place under a smokescreen of individualist slogans. The main individualist slogan is that of human rights, which borrows from a vocabulary of natural rights but has in fact turned the notion of a "right" upside down. A modern human right is not an abstract condition of pursuing one's own ends (such as freedom) but a substantial benefit to be enjoyed equally by all (such as being well-nourished). Again, writings critical of the state's authority often talk in terms of conscience[26] and of the activity of "thinking for oneself," but these expressions refer as a rule to conclusions thought to be so evidently rational as to be able

[23] John Dunn, *Western Political Theory in the Face of the Future* (Cambridge, 1979), p. 33.

[24] For example, Sir Karl Popper in *The Open Society and its Enemies*, 4th edition (London, 1962), Chap. 6, p. 101.

[25] As by David Riesman and his associates in *The Lonely Crowd* (Yale, 1950).

[26] I have discussed this distinction in "Natural Rights, Ideology and the Game of Life" in Eugene Kamenka and Alice Er-Soon Tay, *Human Rights* (London, 1978).

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to vindicate themselves against the authority of the state. It is thinking of this sort which leads to the didactic legislation referred to in the introduction.

The state in the old sense then, seems to be in the process of passing away. It is certainly still intact, but it is changing its character. The new thing that is coming into existence is currently referred to in one of the meanings of the word "society." The way we slide into this new form is by thinking that more and more aspects of life are political; for when everything is political, nothing is political, and we begin to live in the new medium of the merely social. "Society" is, so far, a social body without a secure underpinning since it still depends for its definition upon the state. When an American talks of "society" he refers to the people living in the United States of America. But significantly, he prefers talking of society because the "state" already seems to be that alien thing remote from the actual lives of the people, which is passing away. The state is regarded as something like an old skin, something to be sloughed off. It is impossible quite to predict what the new thing will be like, but there is no doubt that it will have at least the appearance of a much greater spontaneous cohesion than the state usually had. For if people are thus prepared to do more of their own mutual accommodation for themselves, what need is there of a state to do it for them? [27]

[27] It is interesting to observe that what looks like a denial of the thesis of this paper can serve to confirm its argument. Thus the anthropologist Pierre Clastres argues in a recent book that it is our (misguided) Western prejudice not to take seriously peoples who have not generated a state: "Ce qui en fait est énoncé, c'est que les sociétés primitives sont *privées* de quelque chose—l'Etat—qui leur est, comme à toute autre société—la nôtre par exemple—nécessaire. Ces sociétés sont donc *incomplètes*. Elles ne sont pas tout à fait de vraies sociétés—elles ne sont pas *policées*—, elles subsistent dans l'experience peut-être douloureuse d'un *manque*—manque de l'Etat—qu'elles tenteraient, toujours en vain, de combler." *La Société Contre L'Etat: Recherches d'Anthropologie Politique* (Paris, 1974), p. 161. Clastres' Indians are physically marked by initiation rites which constantly remind them: *Tu ne vaux pas moins qu'un autre, tu ne vaux pas plus qu'un autre* (p. 159). These marks also, according to Dr Clastres, tell each individual: *Tu n'auras pas le désir du pouvoir, tu n'auras pas le désir de soumission* (p. 160). The italics are in the text, and tell us that Clastres is setting up these primitives as the model for our own misguided societies in which the state involves power, submission, domination, and other nasty things. But this admirable equality describes a society (such as that imagined by Plato in the *Laws*) in which the articulation of individual and institutional wills would indeed be primitive.

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Why is the State Expanding ?

Henri Lepage

BY way of introduction, I should like to start with a question put to Michel Crozier: " Is there such a thing as bureaucratic inevitability? " Personally, my reply would be " Yes, with things the way they are at present," but " No, if we become aware of a certain number of problems presented by the present structure of our political technologies." My aim, in this brief article, is to identify what these problems are, or rather to identify some of them.

I should like to start by briefly stating the scope of the problem. It is generally considered that at the end of the eighteenth century the share of the state in the national revenue was around 10 per cent in England and in the continental countries. Today, this share is somewhere between 30 and 60 per cent. Since the beginning of this century, the growth of the government has been about one-and-a-half times more rapid than that of the private sector.

Is there a rational explanation for this phenomenon? An explanation which accounts for the fact that it is common to all Western countries? I would reply, as a neo-classic economist, yes: the analysis of the working of political markets shows how, in our Western societies with their representative and parliamentary type of political systems based on universal suffrage and the majority principle (51 per cent), certain autonomous and mechanical factors force a continuous growth of the statist phenomenon, independently of any change in the basic preferences of the individuals who form the electorate. I should like to examine three of these mechanisms.

FIRST we shall attempt to bring out the fundamental imbalance in all our systems of collective choice, i.e. in all our voting systems.

I shall take as the point of departure the fact that there are two categories of state activities (two categories of " public goods "). First, *general rules* which apply to all, regardless of the socio-economic category to which they belong (activities of the police and judiciary, commercial law, financial institutions . . .). Secondly, *activities with a redistributive impact*, characterized in that they consist of taking from Peter to give to Paul, either directly (grants), or indirectly (the redistributive effects of all prohibitive regulations on economic matters).

I would then make two points here. First, that these redistributive activities constitute a growing share of the activity of modern states (that they are indeed the basis of the growth of the modern state). Secondly, that the distinguishing feature of these legislative actions by the public authorities is that as a general rule, when the effect is

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redistributive, a much smaller number of beneficiaries is involved than the number of people called upon to supply the finance. An example of this would be the drought tax, which involved 1,500,000 farmers and 20,000,000 taxpayers. This means that there is a fundamental asymmetry in the distribution of the costs and benefits in public production.

The result of this asymmetry is that each of the potential beneficiaries of a measure presented to the electorate or its representatives has an infinitely greater personal reason, individually, to see this measure passed than each taxpayer has in its not being passed. This also means that the motivation of each potential beneficiary of this legislative measure to invest an amount of personal effort (in terms of time, propaganda, energy, financial resources) in political activity aimed at influencing the choice of electors or of the elected, to affect the result of the political process, is infinitely greater than that felt by those who will have to bear the cost of the new measure.

This asymmetry creates therefore a *political imbalance*: in the political arena, more resources will be invested to contribute to the adoption of spending measures than will be mobilized to limit the number of votes supporting these measures.

HAVING said this, the political arena is not the atomistic market it is usually thought to be. It is a market where collective preferences are expressed through collective organisations (political, trade-union, religious, corporative . . .). And this brings me to my second point which adds a slight complication to my outline, by taking into account the role played by pressure groups.

No one citizen can take effective action in isolation; there is little motivation to do anything individually. There are two reasons for this—the minimal influence of individual action and the " collective " nature of the goods produced by the government (if one person takes action, the benefits will be shared with all those who will benefit from the results of his efforts without having shared the costs).

The political market is therefore above all not a market of individuals but a market dominated by the competitive action of collective organizations, which, personally I do not hesitate to associate with firms led by managers (politicians, trade union leaders, inspirers of groups, charismatic leaders) who see the pursuit of their individual interests (in terms of personal satisfaction: careers, desire for power or to be a public figure, altruistic tendencies, desire for the approval of others or to prove themselves in relation to others, etc.) in terms of taking over and promoting common interests which unite, implicitly or explicitly, the clientele they address and whose cooperation they seek.

These organizations have a threefold role with regard to their clientele: 1. to inform them on the stakes of the political market and on the characteristics of public production; 2. a marketing role

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in bringing to light latent common interests; and finally, 3. a lobbying role in relation to the institutions of the political market to ensure that the common interests in their charge are taken into account, interests which they are attempting to make prevail over competing interests in the process of the allocation of society's limited resources.

Now let us look at what actually is happening. These organizations are of two types: some are in charge of the promotion of interests which aim at obtaining an increase in state expenditure (" corporative " organizations); the others, on the contrary, are interested in the promotion of common interests which seek to limit the increase in public expenditure (taxpayers' associations).

What was said earlier also applies here: 1. when it is a question of expenditure, the clientele involved is relatively easy to define, relatively small and therefore very highly motivated, and relatively cheap to organize; 2. when the stakes are the opposite, the contrary is true: the clientele is much more thinly spread, less motivated and more difficult to organize.

As a result, there is every chance that the initiation and management of the development and impetus of spending organizations will attract more resources, effort and talent than the management of opposite interests. The activity of pressure groups connected with promoting spending interests of a redistributive nature therefore has every chance of being more effective than that of groups whose interest is connected with the limitation of public expenditure. There is therefore more chance that decisions taken by the political power will more closely reflect the interests of the first rather than of the second.

Moreover, the smaller you are in number (there is always only a finite number of rival organizations), the easier it is to adopt strategic coalition behaviour patterns: in other words, to provide mutual support to attain one's goals in negotiating with others (either implicitly or explicitly) reciprocal exchanges of electoral or parliamentary support (what the Americans call " log-rolling ").

What does all this mean? The dominant principle is in practice no longer that of the 51 per cent majority, but that of minorities of 25 or 30 per cent. A measure has to directly or indirectly concern a quarter or a third of voters to be sure in practice of being passed. And this increases the flood of spending by the system by as much.

MY third point concerns the public function performed by a particular lobby—in other words, the bureaucratic phenomenon.

Here again, I start with an observation. The growth of the state means an increase in the number of officials, which has its repercussions in the structure of the electorate—this will include an increasing proportion of citizens from the socio-economic category of state employees.

But these citizen-officials are rather particular citizens. Why? For two reasons. First, because of the fact that they come within the

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state, they are better informed about the workings of the public sector, they are in a better position to understand the true dimensions of the stakes involved; and therefore all other things being equal, they are more highly motivated to act on the political arena and to devote more resources to achieving their ends. To some extent, they are " super-citizens."

Secondly, they are individuals whose personal interest is in general connected with an increase in public expenditure. First, with regard to their careers (in business, promotion is usually achieved by changing companies; in the public sector, in view of the regulations, promotion is made when one's superior leaves, or when new services are introduced, thereby creating new posts and new promotion possibilities). And secondly, when an official talks of defending the general interest, it is only natural that he tends to identify the idea he has of the general interest with promoting the " product " he himself is selling. (For example, the lobby of primary school teachers, or the engineers who designed Concorde.)

The effect of all this is threefold: (i) it is the public sector in the first place which is likely to be influenced by the action of pressure groups which are particularly effective and better organized than others in promoting the interests of their members to the disadvantage of the membership of other pressure groups; (ii) the public sector in itself forms a considerable lobby in charge of spending, which makes its effect felt not only within the internal functioning of the state, but throughout the political field (ideological propaganda); and finally, (iii) the influence of this lobby on the political market and the resulting allocation of resources is constantly increasing in relation to the influence of others.

It could be objected that state employees, as the customers of other lobbies, are also tax-payers, so their conflicting interests should balance out. But this is not so. Because, at the individual level, the personal stake involved in a spending measure which concerns you (a measure from which you benefit as a member of a socio-professional category and not as an individual) is, by definition higher than the corresponding tax stake, individuals are logically inclined to favour, as regards allocation of time and distribution of their activities as citizens, their personal corporative interests, rather than their interests as tax-payers.

THIS brings me to the crucial question. Everything I have said leaves the impression of an inevitable mechanism which cannot be reversed. Is this true? And what can be done about it?

What I have already said indicates the character of my replies:

1. It must first be fully understood that the political market is no less inegalitarian or less unjust than the economic market.

The distribution of resources and of the influence of pressure groups is no less inegalitarian than the distribution of inherited wealth and

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salaries. This distribution is the result of an historical process (just as is the accumulation of patrimony) which means that certain common interests, certain socio-economic groups benefit from more resources and more influence than others, without this necessarily reflecting the real distribution of preferences among citizens.

2. The second problem is to reduce this inequality in the repartition of the relative power of socio-structures. How? There are five possible ways:

First, to apply, more systematically and more frequently in the parliamentary processes, rules of qualified majority (two-thirds, for example). This would make the log-rolling mechanism more costly and would complicate the game of coalition strategies. This would make a vote in favour of spending measures where the social consensus is weakest more difficult (cf. proposition 13 in California).

Secondly, to accompany every spending measure (direct or indirect) with an account of the background to the decision, drawing up a balance sheet of the distribution of " costs " and " benefits " of the measure. This would have the effect of compensating for the average tax-payer's lack of information and therefore motivate him to a greater degree.

Thirdly, to decentralize the geographic sphere of political procedures. Centralization reduces the relative individual cost of a vote on a spending measure. Decentralization, however, increases the individual cost of a vote on a spending measure.

Fourthly, to avoid all legislation which results in giving a legal or actual monopoly to any pressure group (the problem of unions).

Fifthly, to seek to have measures passed to impose a constitutional ceiling on the increase in public spending. It would seem that it would be more realistic and straightforward to get this passed than to try to have an effect on public spending through periodic economy measures. Why? Because the tax-payer, with insufficient information, is in a better position to appreciate what passing such a measure would mean to him in terms of supporting political coalitions seeking to influence directly budgetary allotments.

3. The third problem is to stem the increasing power of the bureaucratic lobby;

—by making zero-budgeting techniques more general (periodic review of " services passed ");
—by introducing a certain degree of competition into the administrative services;
—by reviewing the problem of the grid of public office;
—by introducing into the administration salary structures which bring in " profit logic " to the top officials.

I SHOULD like to close by saying that, like Milton Friedman, I am not personally in favour of modern techniques of budgetary rationalization, because improving the efficiency of public production

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(assuming that the RCB turns out to be particularly efficient) can only reduce the increase in awareness of the electorate of the problems of essential reforms posed by the continued growth of the modern state. The RCB may well turn out to be a pretence—especially as regards social security—for the essential problems of new legislation not to be put, which sooner or later will have to be faced. Better now than later.

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The Economic Role of the State: West and East

Wlodzimierz Brus

THE form of the invitation to the present symposium on "Capitalism, Socialism and the State" makes life quite difficult for the participants: first, because it leaves the vast subject completely open-ended with no request to concentrate on particular issues; secondly, because it presents many points reached so far in the dispute as rather trivial and "the standard positions" assumed by all involved (free-marketeers, Marxists, social-democrats etc.) as something of a stalemate ("intellectual exhaustion"). The implication of the latter is to challenge the participants to get out of the cul-de-sac, presumably by presenting a wealth of new analytical results and decisive answers to questions about the future. I feel uneasy when faced with this sort of expectation, especially as my assessment of the outcome of the debate about the economic role of the state (my main interest) is less harsh. I think, for instance, that it has contributed quite substantially to a growing (by no means complete) consensus that further progress in this domain can be achieved only step by step. The problems involved are hardly, by their very nature, soluble in an extreme fashion and the various components regarded in the past as mutually incompatible must now be taken into consideration. Some people (myself included) would probably find something to criticize in Leszek Kolakowski's paradoxical credo "How to be a Liberal–Conservative–Socialist?" (*Encounter*, October 1979), but the underlying idea seems to reflect fairly well the (not only) intellectual experience of failed extremes. Incidentally, with regard to the role of the state in the economy, the two opposites—uncompromising laissez-fairists on the one hand and Marxist fundamentalists on the other—in a sense share the ultimate messianic rejection of the state. Of course, the perfect market free of any "visible hand" should not be regarded as identical with full communism where the state only as a *political* institution "withers away" but not as the conscious regulator of the economy. Nevertheless, what the two have in common is the belief in absolute solutions bringing about harmony and eliminating conflicts stemming from different power positions in economic life.

THE fact that the economic and social role of the state in the Western world has increased in comparison with that of the pre–1914 and the inter-war periods is indisputable whatever the statistical yardsticks applied. Walt Rostow (*Politics and the Stages of Growth*, 1971) also maintains that the latecomers to development manifest a considerably higher state involvement in the economy than

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their forerunners at the same stage of growth. Taken together these two groups of facts amount to a tendency which—and here I agree with the editor's invitation—" may be deplored, but cannot be dismissed as simply a result of conspiracy or self-generating bureaucratic excrescence." A number of specific reasons which have been put forward for the rise of the economic role of the state are widely accepted, and in many cases find a non-controversial reflection in textbooks: the need to check monopolistic behaviour, to take into account economic and social externalities, to operate within a longer time-horizon, to lessen uncertainties and dampen fluctuations etc. Very controversial, on the other hand, are attempts at global interpretations of this tendency; the Marxist one—which I regard as basically correct—claims it to be an expression of the dynamics of the internal contradictions of the capitalist system: the development of productive forces is increasingly hampered by the nature of production relations based on private ownership, hence the continuing pressure for broadening the scope and criteria for appropriation and allocation. From individual private ownership of the means of production to corporate ownership and eventually to the rising role of the state, the trend of change is recognized as pointing towards socialism.

However, it is hardly global interpretations that we want to discuss here. Much more meaningful when assessing future alternatives are the implications of what has already happened.

The rise of the economic role of the state in the Western world after the Second World War coincided with a period lasting at least 25 years, of an unprecedented record of growth combined with an impressive increase in the popular standard of living, vastly improved social security and educational opportunities, some progress in the direction of a more equitable distribution of income (but not of wealth), etc. No single factor can be credited with these remarkable results, but the correlation with the strengthening of the " visible hand " must be regarded as significant. But even if this is accepted, has not the price been too high—above all, the price in terms of freedom? This is the question frequently posed and answered with an emphatic " yes " by well-known protagonists of the liberal *Weltanschauung* (in the European sense), supported by a substantial and sometimes predominant section of public opinion. My contention is that this is a fallacious assessment.

Let us start with the often disregarded fact that whereas in the inter-war period " big government " in the Western economic sphere was mostly associated with totalitarian or strongly authoritarian regimes (the corporate state as the pivotal point of fascist ideology and the instrument of power)—in the post-war era the dramatically increased role of the state is combined with a fully preserved system of political democracy. Obviously, powerful " incorporated " interest

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groups, well aware of the importance of macro-bargaining and of enormously increased interdependencies in national and international economies, may abuse freedoms and pose a threat to the system—a situation most unlikely to occur under fascist-type corporatism. But (i) whatever the difficulties of democracy, the system has so far survived, and (ii) there are among Western countries better examples than Britain or Italy of the compatibility of a very high degree of state involvement in the economy with an elaborate network of institutionalized representation of various national and local interests within a democratic political framework. In this context I was reminded recently of Austria, and soon found ample corroboration for the validity of the case, of course as unique as any other (see for instance Albert Lauterbach's paper *The Austrian Public Sector in International Perspective* published in 1978 by the University of Texas, Austin).

What is more, it seems to me that a simple acknowledgement of the co-existence since the Second World War of big government and democracy in the West is not in itself sufficient. I venture to say—contrary to the Freedmanite thesis, and without underestimating the adverse consequences of bureaucratization—that the rise of the role of the state in economic and social life has actually strengthened and broadened freedom:

(i) If it is acknowledged that the state has played at least some positive role in achieving the above-mentioned economic and social benefits, this must also mean crediting state interventionism with creating important conditions for the preservation of democracy. There can be no doubt that the inability to avoid economic and social catastrophes in the inter-war period—an inability which cannot be divorced from the theoretical and practical worship of market automatism and "sound finance"—was to a considerable extent responsible for the rise of Hitlerism and lesser brands of fascism.

(ii) The rise of the "welfare state"—better employment opportunities, long periods of steady income growth for the working population, wider access to education and health services, greater old age security, improvement of housing conditions (with a substantial increase in owner-occupation in some countries, notably in Britain), etc.—all this has broadened the real range of choice exercised by the majority of the population. People have become much more free in their dealings with "the bosses," more mobile both socially and physically; one could also trace—again, in part—to the "welfare state" and its consequences some degree of progress in the struggle against discrimination against racial and ethnic minorities or against women.

(iii) The rise of state interventionism—restrictive with regard to some kinds of private economic decisions—has at the same time given to the "man in the street" a say, however indirect, over matters

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which previously were completely outside individual influence or even knowledge. We may rightly point out how remote is the impact of ordinary people on major investment decisions (or closures for that matter) taken by ministers, top civil servants, managers of nationalized industries, but there is nevertheless a qualitative difference between the present situation and the past, when issues affecting the lives of millions belonged legitimately and exclusively to the private domain of the few. The transfer of these issues to the public sphere exposes them to political scrutiny—both through electoral channels and through various pressure groups—and this means an extension of freedom which can hardly be overestimated.

NEEDLESS to say, all this opens up new sources of conflict, difficulties and dangers which cannot be dealt with without essential modifications in the institutional and social fabric of Western democracies. The need for institutional adaptations in the working of the system of representation on national and local levels, in the relations between the legislature and the executive, in the place of trade unions and other organized interest groups, in the role of the courts as instruments for checking arbitrariness, etc., is widely recognized and almost constantly on the agenda (which does not in itself secure progress, but this is another matter). Less attention in recent years—although this is perhaps an impressionistic statement—has been paid to the social aspect. The achievements of the "welfare state," and the fact that it finds itself under growing attack and has to be defended, has somehow strengthened the image of the contemporary Western state as a socially neutral institution, the political characteristics of which—democratic in this case—are independent of the distribution of economic and social power. A reminder that this is not so has come recently from, for instance, Charles Lindblom (*Politics and Markets. The World's Political-Economic Systems*, 1977), who discusses the privileged position of business in a "polyarchy" and the resulting circularity: the controlling "polyarchic" state is itself controlled by large private corporations.

There seems to be something wrong in the prevailing atmosphere in which the case for freedom and efficiency is alleged to rest on the ability and on the willingness to curtail radically the role of the state. The reverse side of the coin, the function of the state in promoting both freedom and efficiency under conditions of institutional and social democratization, deserves at least the same attention, if not more, when one accepts the probable implications of constraints on resources in the near future.

I share the views of those who reject the pessimistic scenario of absolute limits to growth in view of the looming shortage of energy, other major non-renewable resources and environmental problems, but rather assume that growth will become more costly, more depen-

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dent on substantially increased, purposefully directed and well-concerted efforts, especially by countries with a technological lead. Taking into account the problems of the Third World this is likely to require a much more selective pattern of growth with wide ranging consequences, necessitating rapid changes in social and economic structures. Without denying the rationale of making maximum use of the positive aspects of the market mechanism, the operation of the market seems to be too general and indiscriminate to be relied upon in the process of major structural transformations of this type. Hence the likelihood of the need to involve the state even further in economic matters, both nationally and internationally—not necessarily in conventional quantitative terms (e.g. the share of government expenditure or of the public sector in GNP) but rather in terms of its actual capacity to attain macro-economic objectives. This line of argument, which logically leads to postulating some sort of planning, is too well known to be repeated here. What should not be forgotten is the political link mentioned above: who controls the state, and what ought to be done to subject it to genuinely popular control. For some (this writer included) the answer lies in democratic socialism, not only on ethical but also on pragmatic grounds.

ALL this was not meant to weaken the relevance of the question of limits to the role of the state in general and to its role in the economy in particular. The fallacy of the extremist positions, market- and state-oriented alike, lies in the absolutization of the merits of the preferred alternative and of the failures of the other side. In the case of Soviet-type socialism it is obviously the absolutization of the state which is invoked, and proved usually by showing the scale of the state's involvement. There can be no disagreement here, but from the point of view of our problem it is important to be aware of the boundaries which even the Soviet-type state has not been capable of crossing, and which seem to be growing rather than diminishing in importance.

Compared with the pre-revolutionary situation, the expansion of the state in the East is beyond all doubt; the state in the "étatist model" manages the economy directly and dominates all other facets of social life. However, when we examine more closely the evolution which has been taking place since the tasks of the "transitory period to socialism" were completed, particularly in terms of the avowed long-term doctrinal goals, strategic plans, and even some peak points actually reached in the past, the picture becomes less clear: in many respects the expansion of the state has stopped and signs of some roll-back have appeared. Without going into details and into the peculiarities of individual countries, the following points seem to corroborate this assertion:

(i) A fundamental check on the tendency towards an all-embracing

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state has been provided by the survival of *households* as separate units of labour-supply and consumption. Today it may sound odd to mention this at all, but looking back it is by no means so, especially as what is involved here is a prime source of market relations in the economy. Not only is the abandonment of the communization of consumption significant, but also that of the attempts to curb open forms of market exchange involving the active use of money. (Both at the beginning of the 1930s and towards the end of Stalin's life, the idea of at least some approximation to direct distribution was being resuscitated as a reflection of socialist progress.) The marketization of the relations between the state economy and the households is steadily in the ascendancy, including even some links with foreign markets. Of particular importance is the expansion of the labour market as a result of the very substantial decline in all kinds of compulsory methods of allocating manpower on the one hand, and of ideological mobilizations on the other. The constraints this puts on the arbitrariness of state action are manifold.

(ii) Closely connected with the previous point is the problem of *public consumption* which has been regarded (particularly in the USSR) as a means of de-marketizing the relations between society and the individual. According to the current Programme of the CPSU (1961) the USSR ought at present to be entering the gates of communism proper (as of 1980), one of the marks of this being the attainment of a 50 per cent share of public consumption in total consumption. The role of public consumption is quite large in the Soviet bloc countries, but in recent decades no unequivocal trend towards an increase in its share can be discerned, certainly not in the USSR itself: according to the statistics published in *Narodnoe Khozyaistvo SSSR za 60 let* (1977) to mark the 60th anniversary of the revolution, the share of benefits from public funds (including benefits in kind such as education, health service, etc) in the overall budget of an industrial worker's family has even dropped slightly between 1965 and 1976 (22·8–22·3 per cent); as for a *kolkhoz* family, the share has increased over the same period from 14·2 to 20·7 per cent but still remains lower. With regard to many items scheduled to become gradually "free," the trend has actually been reversed; this applies in particular to housing, which in many East European countries has come to rely heavily on private funds, with the Soviet Union slowly following suit (co-operative housing).

(iii) It has proved impossible to eliminate *private business activity.* Even at the height of the collectivization drive in the USSR private plots and *kolkhoz* markets had to be legitimized. A variety of forms of small private production and services outside agriculture persisted as well. In the "people's democracies" the scope for "private initiative" has always been as a rule wider than in the Soviet Union notwithstanding substantial differences between individual countries. In

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addition, a whole range of semi-legal and illegal private business activity has continued to exist (or flourish, as some would say), both outside and within the state and co-operative sectors, bearing witness to the limits of the state's authority. The state has not only proved incapable of stamping out these offensive practices, but in many cases has shown a need for them. All this is perfectly well known, increasingly well researched and quite colourfully described in eye-witness accounts. What is worth emphasizing from the point of view of our search for trends is that under the pressure of reality, private business activity (legal, of course) seems recently to be gaining a new status and there are signs that it may cease to be treated as a condemned man whose death sentence has not been commuted but whose execution has been (regretfully) postponed for a short time. . . . Not only in Hungary where according to some writers (see Janos Kovacs, "Le compromis social de la Hongrie post-revolutionaire" in Kende-Pomian eds., *1956 Varsovie-Budapest*, 1978) over 50 per cent of the population participate in one way or another in private sector incomes despite collectivization, or in Poland where efforts to promote private (licensee) trade and handicraft are increasingly genuine, but even in the USSR and Bulgaria the highest Party leadership seems to have become aware that the time has come to change the openly hostile or at best stop-gap policies towards individual agricultural plots and various other forms of small private business. From an article published in the official organ of Soviet economics (*Voprosy Ekonomiki* No. 7, 1978, with surprisingly rich information about the role of private plots in all Comecon countries) it transpires that the growth of private agricultural production both for individual consumption and for the market has become an objective in the plans, supported in many cases by corresponding investments aimed at supplying appropriate producer inputs; the eventual decline in the share of private output is to be brought about by the faster growth of the socialist sector, and not by suppressing the private one. One should also mention the tentative attempts to open the door to enterprises funded by foreign capital, so far with negligible economic effect (although conditions offered are being improved), but which are symptomatic in connection with the trend.

(iv) Finally the changes in the *system of functioning* of the nationalized economy ("economic reforms"). It can be argued that because the actual outcome of attempts for over 25 years is so negligible (except in Hungary and, of course, Yugoslavia which is a separate case), the trend towards marketization and against direct state management of the economy (particularly at the micro-level) has not materialized; my own research (see "The East European Reforms: What Happened to Them," *Soviet Studies*, April 1979) has led me to the conclusion that the obstacles are serious indeed, and that they cannot be reduced to political resistance alone, although this remains a strong

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adverse factor. On the other hand, the idea of decentralization and greater reliance on market mechanism (regulated by the central planner) has never been truly abandoned and persistently reappears, even in such a politically rigid country as Husak's Czechoslovakia; some changes in the aforementioned direction—usually inconsistent and thus as yet without conclusive effects—are being implemented. In my view this is a reflection of the fact that economic exigencies generate what may be called "objective pressures" for reforms which can be held back only at the price of exacerbating the problem of diminishing returns. This problem is becoming more and more acute for the East European economies and undermines what was long regarded as their unassailable advantage, namely a capacity for fast growth.

Concentration on the "retreat-aspect" of the East European experience carries the danger of distorting the overall perspective and of exaggerating the impact of private business, marketization and decentralization on the basic features of the system. Both Western and Soviet-type economies are "mixed" nowadays, but not only the quantitative proportions of the "mix" but also the very logic, the basic rules of the two systems are different in kind. I do not see any convincing reasons why they should not be called respectively "capitalism" and "socialism" provided the terms are devoid of ideological connotations. This reservation has recently acquired particular relevance with regard to socialism as a sort of a "title" denied to the Soviet-type systems by many on the left, disillusioned with the confrontation of "socialism-in-practice" (*realnyi sotsializm*) and the blueprint; also for ideological reasons, the label of socialism is all too willingly used by the conservatives. The concept of "state-capitalism" as applied to Eastern Europe by such writers as Charles Bettelheim seems to me to be especially misleading; a well-argued refutation of such a use of this concept can be found in a very interesting book by an unofficial Hungarian Marxist Marc Rakovski (*Towards an East European Marxism*, 1978).

However, bearing in mind the need to be cautious and leaving aside terminological matters, the evidence from Eastern Europe does constitute a strong case against a primitive extrapolation of the benefits accruing from the increased role of the state as a response to market failures. The historical reasons for such a response cannot, obviously, be reduced to a misconception about the nature of and the conditions for an economic system which would substitute planning for the harmful spontaneity of the market; both the objectives of ruthless modernization and militarization and the instrinsic logic of the totalitarian regime, insatiable in subjugating every possible aspect of activity, played an enormous part in shaping the system. Nevertheless, the lack of experience of any form of macro-regulation of the economy other than the takeover by the state of the means of production and

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its command over the entire network of economic relationships down to the lowest micro-level must have been a contributing factor. In a sense, the phenomena enumerated above may be regarded partly as the results of a peculiar learning process which makes one slowly realize that an over-extension of nationalization and planning, at the expense of private initiative and the market, leads sooner or later to a situation where the economy is neither planned nor market-regulated (this point has been recently emphasized with great force by Polish opposition writers on economics who speak bluntly about the loss of steerability of the economy). The extent to which these conclusions will be heeded in the East depends on many other factors involved, but this does not diminish the overall objective value of the lessons.

FINALLY, a word about the connexion between some checks on the expansion of the economic role of the state and the prospects for political democratization. As for the freedom of an individual to pursue his own private way of life, the latitudes sketched above mean an extension of the "range of choice," particularly through some loosening of dependence on state-controlled sources of livelihood (there is, in my view, no contradiction between this statement and the positive correlation between freedom and the "welfare state"; the bottlenecks are on the other side in the Soviet-type system). Another link may be provided by decentralization as the necessary (but not sufficient) basis for shop-floor and local co-determination, a point which with amazing inconsistency (or consistency) is being missed by the Western extreme left who advocates "free associations" but for whom any market instruments of economic regulation are anathema (Assar Lindbeck's *The Political Economy of the New Left*, 1977, presents both the argument and the critique).

Greater economic independence from the state for households and workers' participation in management in the more autonomous enterprises may constitute a stepping-stone towards political democratization (Marc Rakovski expects the greater economic independence to strengthen "personal nonconformism within the working class, especially among the younger generation"). On the other hand, social analysts in Eastern Europe point out that some loosening of the state's grip on the economy provides the ruling elite with a sort of safety valve: the possibility of further depoliticization by widening the opportunities of pursuing private goals. Taking into account the disillusion with politics and the risks involved, this may be to a considerable extent effective. It would therefore be wrong to expect certain automatic political consequences of the tendencies indicated. The same applies to an even more fundamental—but sometimes disputed—assertion that a lack of political pluralism will have increasingly harmful effects on overall economic performance and hence undermine the ability to "deliver the goods" without which the

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" privatization " of society hangs in the air (this is the main thesis of my *Socialist Ownership and Political Systems*, 1975). The outcome thus depends on the strength of sustained purposeful pressure from below perhaps forcing a gradual change within individual countries and in the relations between the Soviet Union and her junior partners; it is from this point of view that the emerging opposition movement in Eastern Europe acquires such importance. The prospects at present are dim indeed, and unless they brighten, " socialism in practice " will continue to serve as a daunting example of the incompatibility of state regulation of the economy with freedom, efficiency and—however paradoxical it may sound—with socialist values.

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Humane Economic Democracy

Ota Sik

"REAL" socialism, kept alive in the Eastern bloc countries by the tremendous repressive power of the state, has brought so many economic shortages and so much deprivation of liberty to large sections of the population that its attraction for working people in the Western industrial states is diminishing year by year. The socialist and social-democratic parties have long rejected this "socialism" and in the last decade Western communist parties too have increasingly been compelled to distance themselves from it and to seek new ways of developing. The question therefore arises of whether a transformation of the capitalist system should still be aimed at and if so, should the change be a socialist one, or rather, what now remains of the original idea of socialism.

To the first part of the question I give an affirmative answer and shall try to explain why capitalism as it now is will increasingly fail to meet people's needs in the future. The second part of the question is more difficult to answer, as it depends on what one understands by socialist criteria. Socialism today covers too many trends and too many separate criteria. A discussion of these criteria would not only be weighed down by dogma from the outset, but would also lead us away from the problems inherent in both systems—capitalist and "real socialist"—when our primary concern should be to tackle those problems squarely. First then we should try to justify and describe the necessary transformation of the capitalist system and also the communist system, and later return briefly to the second part of the question.

THE economic system in the Western industrial countries is called capitalist even though an overwhelming majority of the population owns no capital and takes no interest in its use or development, showing only a distinctly one-sided interest in wages and consumption. The working people are alienated from the economy and bear no direct responsibility for the development and future of what is the very basis of their lives. Only those belonging to a relatively small section of the population are, as owners of capital, directly interested in the most effective possible use of capital and thereby bear sole responsibility for the development of the major part of an economy which is based on private capital.

Many years of comparing the capitalist and communist systems have led me to the conclusion that the capitalist system manifests two basic characteristics which cannot be effectively replaced by the communist system and which have been eliminated in communist states to the disadvantage of economic efficiency and ultimately of the

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people's standard of living. The first is the market mechanism, the second, private enterprise. It is above all thanks to these two elements that, first, technical and qualitative progress (leading to increases in productivity) have made faster strides under capitalism than under communism, and secondly that under capitalism there are substantially fewer losses caused by poor economic management or by inflexible production structures which fail to satisfy needs. It is not possible in a short article to substantiate all these assertions and here I refer readers to my book *Humane Wirtschaftsdemokratie—ein dritter Weg* (Knaus-Verlag, Hamburg, 1979).

In this book I have indicated why at the present stage of development it is still difficult to replace the market mechanism and private enterprise. The whole problematic nature of the interrelation of human interests and economic activity, and the associated issues concerning the conditions and motivation necessary for individuals and communities to produce goods in a highly effective way such that the supply corresponds to the demand, are problems which have so far received scant attention in Marxist and indeed all socialist ideology. Closer examination of these problems makes evident not only the need to develop an improved market mechanism, one controlled by society to secure the benefit of a more effective economy, but also the possibility of retaining private enterprise, while at the same time overcoming its inherent defect, namely, the alienation of the people from the economy.

To overcome the people's alienation from the economy is of the utmost importance if ever more dangerous economic discrepancies and catastrophes are to be prevented in the future, and if there is to be a more humane development of economy and society. As long as capitalist economic development continues to depend on decisions made by a narrow stratum of private entrepreneurs and on bureaucratic state intervention, two things follow: first, the purely spontaneous and shortsighted nature of national economic development will not be overcome, and secondly, the people will be unable to determine, to any significant extent, the goals of such economic (or social) development. Advantageous and irreplaceable though the market mechanism is where the efficiency of actual production is concerned, it alone cannot prevent the ever-increasing and dangerous conflicts and inconsistencies within macro-economic and social development.

THREE fundamental discrepancies in the development of the capitalist system should be pointed out here. First, the discrepancy between the development of consumption and the development of investment within the national economy. Second, the discrepancy between the spontaneous development of production and the natural requirements of production (raw materials, energy and environment). Finally, the discrepancy between private and public

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provision of needs. The discrepancy between the development of total consumption and that of total investment within the capitalist economy has been characteristic of this economic system from its earliest beginnings. It is expressed in cyclical evolution, in the ever-recurring alternation of boom and crisis. Neither bourgeois economic theories nor the practical economic policies of widely differing governments of Western industrial countries have found ways of preventing these periodic cycles. Associated with them are the tides of unemployment, returning periodically and bringing insecurity and anxiety about the future to whole classes of people.

This is a complex problem which cannot be given detailed attention here, and once more I can only direct readers to the more thorough explanation in the book mentioned above. It is an explanation which as far as the causes of the cycle, or rather possible ways of overcoming them, are concerned, corresponds to neither the widely held bourgeois nor the dogmatic Marxist theories. In the book, the super-multiplier theory, widely considered in the West to explain the cycle, is criticized, as is the theory of anti-cyclical economic policy. The Marxist idea that cycle-free, rapid economic growth can be attained only through state-controlled planning of investment and production development based on state ownership of the means of production is rejected since the losses which arise in the communist system from the disproportionate and ineffective economic process are substantially greater than the capitalist losses caused by the cycle.

Overcoming the discrepancy between consumption and investment development and thereby overcoming the capitalist cycle means doing away with the distribution struggle between capital owners and wage-earners and substituting for them a macro-economic distribution or incomes plan. This plan remains utopian only as long as wage-earners in general remain separated from capital and thus alienated from it. Could this alienation be somehow overcome, it would be possible to substitute the struggle over incomes distribution with an incomes plan. However, before considering this problem the macro-economic distribution plan should be further clarified.

What matters is not just overcoming the discrepancy between consumption and investment developments, but perhaps even more the prevention of those discrepancies which arise between, on the one hand, the purely spontaneous development of production and the raw materials and energy required for this production and, on the other hand, the living conditions of people in highly developed industrial countries. This dangerous tendency has been revealed in many learned works: most notably in the studies from the Club of Rome, which have contributed greatly to shaking up public consciousness. All warnings will however miss their target if society does not maintain an effective way of planning and controlling the rate of economic growth, as well as its basic orientation, at the same time concerning

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itself as much with people's needs as with available raw materials and energy and with the necessary conservation of the environment.

In the communist countries with their state planning and bureaucratic target-fixing an even more disastrous growth of production is stimulated at the expense of the human environment and with colossal waste of all raw materials and energy. However, economic development beneficial to both humanity and the environment could be secured through the democratic planning of income distribution. If people's aims in life and their patterns of consumption were to be established in phase with natural conditions, existing or aspired to, indirect control of the macro-investment quota could determine the growth rate of production. If control of the growth of private consumption, as well as satisfaction of public needs by planned income development, is added, then production developments threatening to nature and humanity could be prevented.

THE discrepancies which arise today between excessive development of private consumption and increasing social needs which can no longer be met from private income could also be resolved democratically with the help of distribution planning. These discrepancies will, however, not be resolved through bureaucratic reallocation of income via tax changes, faced with which people have no opportunity of judging or controlling the relation between the means and objectives of the provision of public needs, nor can they decide on the proportion between private and public satisfaction of needs.

Here we come to the most important characteristic of macroeconomic distribution planning, namely, that it enhances democracy. Accelerating scientific, technical and production developments have created a situation in which for a long time the most diverse decisions on fundamental economic adjustments have had to be taken not at private but at state level. Such decision-making, however, becomes increasingly bureaucratic in its nature, first, because it is always performed by particular ministries or departments dealing with particular cases and with no good understanding of the broad social and economic perspectives and consequences, secondly, because these organs cannot be held accountable for the complex social consequences of their decisions, and thirdly, because the accumulation of purely formal, ever more opaque decision-making justifies the existence of the bureaucratic power structure as an end in itself, thereby extending its power. This bureaucratization of economic development is bringing the Western market economy ever closer to the communist planning system and thus to a deepening of the people's alienation from the economy.

Decisions on fundamental goals of national economic development must be made in a democratic way if bureaucratization is to be avoided. This is only possible if economic goals are set by democratically chosen representatives of various sections of the population

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and if there are substantially diverse plans to choose from. A choice of plans cannot issue from any anonymous bureaucratic planning apparatus: economic goals should emerge from the confrontation of groups with various interests and ideas about the future and acting within democratically formed planning commissions. Economic goals should materialize under the constant control of the public, of those interested groups which have sent their representatives to the commissions, and through more active discussion in the mass media of different ideas about the future.

An economic council, a government organ for political economy, would be responsible for the organization of the commission, for drawing up plans and implementing them; even the chief planning commission would be subordinate to this council. As executive organ of the government the economic council would have to create all necessary conditions for the planning activity and above all would look after the maximum democratization of planning. Its vital duty would be to kindle economic and political discussions among the population. In particular this would mean supporting pressure groups, safeguarding publication opportunities and the flow of information between the planning commissions and the population, the presentation of two or three disparate plans for political discussion by the people, etc.

What should be aimed at is the linkage of economic and political discussion among the population and also the selection of middle-term (4–5 years) macro-plans with actual political choice. The nature of the planning makes it feasible to work out two or three substantially different alternative plans. Fundamental qualitative and quantitative goals and methods of alternative future developments for the purposes of political discussion could be presented in a widely understandable form. Wider discussions could be kindled with the aid of political parties, organizations with other interests, and the mass media.

If particularly important social requirements, partial developments, problems and larger projects are regularly and publicly discussed from the outset, it is to be expected that people will have an increasing interest in and understanding of the various complex economic planning goals and developments under discussion. What must be aimed at is a union of discretionary and econometric methods by which goals for the quality of life, decided on through confrontation and compromise among groups representing different opinions and interests, can be adapted to fit the most realistic forecasts of production growth. These methods are dealt with in full in the aforementioned book.

ECONOMIC and social development should be oriented in such a way that people's future living conditions and the quality of their lives could be predetermined in the most important areas, that is, directed towards the following goals:

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1. maintenance of macro-economic equilibrium;
2. macro-proportional regulation of consumption development in accordance with the desired development of the quality of life;
3. regulation of the rate of economic growth;
4. maintenance or modification of individual incomes polices;
5. maintenance or attainment of desired developments in working hours, arrangements for occupational mobility, requalification, social and medical security;
6. attainment of desired balance between different national and regional economic developments;
7. creation of desired healthy environmental conditions in industrial complexes and conurbations;
8. protection of the infrastructure and energy base of the economy and society;
9. achievement of desired educational, scientific and cultural developments in society.

Commissions for the quality of life would be structured accordingly. Thus a commission for private consumption would have to formulate the quantitative connexions between the desired growth in consumption, the level of wages, the accumulation of savings and the main trends in consumption. Another commission for the development of work would formulate the desired working time and free time in relation to occupational mobility, job satisfaction, use of leisure, among other things. The development of social security, education, science, health care, sport, culture, security and justice, defence, transport, infrastructure and energy, the planning and building of homes and towns, the protection of the environment, regional development, etc., would all be determined in a similar way.

Discussions in all the commissions would most probably always reveal a few fundamentally differing points of view and ideas about the future which would be synthesized and expressed by the chief planning commission in concentrated form in two or three disparate alternative plans. Each one should be realistic in the sense that it would always have to correspond to the production prognosis. Production prognoses would be formulated by special industrial production commissions, and would in each case be coordinated with the different goals concerning the quality of life.

AGAIN and again market economists object that the results of commissions' discussions do not correspond to the actual sum of individual preferences which should be expressed by the commission members. This objection would be valid, if the commissions were to decide on the detailed structures of the supply of goods, that is if it were actually their task to supersede with their collective decision the sum of individual demands on the market. This would however be a collective violation of the individual and his needs (disregarding

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for the moment the undemocratic manipulation of needs by powerful monopolies). According to our proposal the market with its mechanism of individual consumer preferences is preserved.

According to our suggestion for planning, what matters where the macrostructure and the macroproportions of needs are concerned is the results of income distributions which hitherto individual preferences have taken no consideration of whatsoever and indeed they could not. The distribution of the people's income into size of income for consumption and total state-financed provision of needs, as well as the separate categories of state expenditure, presents everything else as a democratically established scale of the preferences of individuals. When all is said and done all these distribution processes are the outcome of decisions which although put to the vote are bureaucratically prepared (I have in mind the submission of national budgets) and it is not possible even for the voting politicians to see them completely in context, let alone for the citizens to judge them according to their own individual preferences.

Until now there has never been any evaluation of different alternatives when such a distribution is made, nor any arrangement of these alternatives on the basis of the various representations of different interest groups, nor even any account taken of disparate proportions between total individual consumption and total social consumption, nor, finally, any submission of alternative plans for the democratic judgment of the population. Doubtless every discussion among people with different interests at stake will have its shortcomings. Future decisions also will not always conform to a theoretically considered summing-up of all individual preferences. Nevertheless such a procedure is substantially more democratic than all previous forms of decision-making in this area. It offers unprecedented opportunities for public control. It enables important defects to be recognized better than before and it involves the public in learning from planning mistakes. This can be an important step towards the de-bureaucratization of state decision-making.

DIFFERENT targets for production growth described in different alternative plans would also be linked to different investment quotas and occupational developments. The different growth of production and consumption in the separate alternative plans would also make different demands in respect of the growth of wage and profit quotas, the ratio between consumption and investment credits, and the ratio between consumer and investor public spending. Through the planned regulation of these fundamental distribution processes, the result of which would be a specific development of final private consumer income, of final public expenditure, and of final investment income, the consumption and investment targets of selected alternative plans could be reached without limiting either the independence of

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the production decisions of entrepreneurs or the free decisions of consumers.

The market mechanism can therefore function fully where there are planned economic quotas (portions of the national income) for private consumption, for particular areas of public expenditure, and for production investments, which can be realized through regulated distribution processes. The economic quotas form the basis for planned wage developments, for the appropriate allocation of profits within enterprises to consumption and investment, bank credit limits for consumers and investors, taxes on wages and profits, as well as consumption and investment spending by the state.

In this way democratic and methodical economic and social development is achieved without bureaucratically undermining the interests of market-oriented enterprises in taking the most effective decisions on production and investment. With instruments of economic policy the development of income and market demand will be macro-economically directed according to the chosen plan, and enterprises will be constantly interested in satisfying market demand in the most effective way in order to maximize their income. Their investment decisions would as long-term decisions about their future, be easier than at present as they could count on a more reliable development of the market on the basis of the planned growth of wages, profit distribution quotas, taxation and credit conditions.

Macro-economic distribution planning is, however, realizable only if the distribution struggle in society between wage-earners and capital owners can be overcome. This too is conceivable only in conditions in which the alienation of the working people from capital, their alienation from the places of manufacture, from economic decisions and results have been overcome.

IN the capitalist system and even more in the communist system the working person is profoundly alienated from the means of production used by society. The manufacturing plants, enterprises and firms, the warehouses, energy resources, etc., through which vast combines manufacture what millions of people need, this whole gigantic machinery for production has for most people become even more alien than in the days of the machine-breakers at the beginning of the Industrial Revolution. Although it is the foundation of work, of income and thus of life in general, the working people not only have no right of decision over this production base but look upon it with indifference.

Naturally, manual workers and office workers alike do take an interest in the preservation of their manufacturing plants as necessary for work and income. But how the growth of the company is progressing, how investments are being made. how the structure of production is changing, how sales are progressing, how efficiency is developing, how profits are growing, how products are rated by con-

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sumers, for most company employees all this is not their responsibility and therefore they are not interested. Whether they work in private family businesses, for huge limited companies or in nationalized enterprises in the communist system, manual workers and white-collar workers alike tend to feel that they are merely wage-earners and nothing else.

Be they individual families, a few partners, many shareholders, or the state itself, owners alone have the right to make decisions about the development of an enterprise. They alone determine the continuation, growth or closure of the enterprise, its production targets, its manufacturing equipment, its work norms. They are outwardly responsible for the enterprise, they decide what to do with production results and are directly interested in them. It is fair to say that ownership of an enterprise constitutes the continuous appropriation of new means of production and production results by the proprietor. This is expressed in the proprietors' right to dispose of the results of production, of the output and the means of production. The right of decision can be transferred from proprietors to appointed production managers or business managers or directors. But all of these people remain answerable to the proprietors even when, as in the case of many large limited companies, their answerability becomes a formality, when the real power of decision lies with management. That however does not alter the fact that just a small group of people decides on the development of the enterprise and on the work of thousands of people or that the employees find themselves facing the whole operation as outsiders.

IN the "socialist" system state property is presented as the property of society as a whole. This remains however no more than an abstract and empty assertion. The population has no opportunity directly or indirectly to decide on the development of enterprise or production, it receives no information, it has no opportunity to intervene or bring about change, it cannot even exert its influence through political elections. Neither has it any say in the appointment of directors or other leading officials of the enterprise. The manufacturing collectives have just as few rights; they are consulted only in various commissions for their advice on how production might be increased. They do not even have the right to comment on wage decisions or to fight for higher wages.

The party bureaucracy alone has the decisive power of disposal over the state enterprise. All voting in the party organs is purely formal and does not challenge the basic decisions of the party apparatus. Thus here also employees of an enterprise feel they are mere wage-earners confronted by a totally alien proprietor who furthermore behaves so despotically that any sort of wage struggle is out of the question.

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THE reform I propose requires a form of ownership for enterprises and production capital in general which can decisively reduce the alienation (in both systems) of the working people and their lack of interest in capital.

In the course of the last decade experiments have been undertaken in Europe by many enterprises, involving various political programmes and many trade unions, and very different ideas have developed about industrial co-determination in capital-sharing and the creation of personal assets. Many of these ideas are already being put into practice and experimented with, while some have remained just theories or policies of political parties or trades unions. These ideas or experiments are fully examined and analysed in my book.

In connexion with overcoming alienation, it is very important to note that the objective cannot be reached if the "wealth" of the working person is simply increased. The ideas of the liberal parties in particular, which for example in the Federal Republic of Germany have already led to practical legislative measures, concentrate on building up the assets of employees without otherwise changing their circumstances. Breaking down the alienation, however, means changing the wage-earner's attitude to economic activity and the aims of production. It means abolishing the social antagonism between those interested in wages and those interested in profits: otherwise the struggle over the distribution of income and the accompanying macro-economic disorders and their consequences can never be eliminated.

This, however, will not be achieved by the simple creation of personal assets for workers. If wage-earners have certain amounts raised from levies on profits invested for them in the capital funds of other companies that would do nothing to change the status quo. It would be doing no more than statutorily creating savings which bring their holders interest and which they perhaps withdraw after a certain time and spend on consumer goods. Even disregarding the fact that these savings may be used for consumer purposes (long-term or permanent restrictions could be imposed on them, for instance) neither the relationship of wage-earners to capital nor their straightforward interest in wages will be altered. Even if it were systematically enforced (which would however go against liberal philosophy) the method of creating capital funds only to invest them in other enterprises would be so anonymous and strange that it would virtually amount to nationalization of investment funds.

Even if we imagine that all dividends used for net investments were consistently transformed (unfeasible in practice) into capital wealth for workers and concentrated in the investment funds of other enterprises, decades might pass and the wage-earner's fundamental position would not change at all. However great the share of the capital formally belonging to the wage-earner through investment funds, it would be just as alien to him as state property under communism. The investment funds would have no influence whatsoever on his

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development, as an individual he would know nothing about the "investment" of "his" capital and would care only about the interest. He would even regard the interest as an addition to his wage, the wage itself being quantitatively the main concern. This main concern would have to continue to be safeguarded by trade union efforts, as the social antagonism of wages and profits would not be suspended by the existence of interest on capital for employees.

WE see that if the ends are unclear then the means will also be unclear and cannot help solve our predicament under the capitalist system. To make working people wealthier in the sense that they can also consume more will not help. Whoever owns the production capital in the anonymous form described, only a part of the gross product can be consumed, that part not needed for gross investments and reserves. And whether this consumable part is distributed in the form of wages or partly as interest from the alien capital is meaningless as far as the worker's attitude to the enterprise, to the investments and to the capital is concerned. It is not having shares in anonymous wealth, in the productive assets invested "somewhere" in the national economy, assets which bring in only interest or dividends, that will truly change things, but a tangible proprietary relationship to the production organization in which the person works, whose results directly influence his personal income and to which he is emotionally attached as well.

The solution as I see it lies in what might be called a *neutralization of capital.* By neutralization of capital I understand the setting-up of a form of ownership by which the ownership of the capital of an enterprise is no longer restricted to an individual person and is no longer divisible among individuals. In each case ownership is vested in the co-operative production unit of an existing or newly founded firm. The co-operative unit, which we shall refer to as the asset administering association, has no right to distribute the capital among its members. It merely forms the basis for the statutorily determined administration of capital by an elected authority. The asset administering association holds the assets in trust and leaves it to the industry's managing body to put it into effective productive use. It is no longer possible for individuals to have any power of disposal over the capital, nor for individuals to accumulate capital and thereby exert influence. I describe enterprises which function on the basis of capital neutralized in this way as worker-owned companies.

My misgivings about earlier ideas on the individual co-ownership rights of workers to the collective capital of an enterprise—rights which were also to be expressed in terms of individual securities (certificates)—have taken me on to the idea of an individual, neutral or *neutralized* capital. Capital related to individuals would have created difficulties over the redistribution and repayment of certificates where occupational mobility is concerned: when workers volun-

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tarily changed their places of work the differing capital values of individual firms would not only have hindered some people from changing their places of work but would also have led some people to change firms for speculative purposes. The neutralization of capital would be a way of overcoming the wage-earners' alienation from capital without jeopardizing the mobility of the work force.

THE existence of neutralized capital does not, however, mean that economic interest in its optimal use would die. Interest in the economic effectiveness of capital stems from the acquisition of particular shares of the profits resulting from the use of the capital, through the members of the worker-owned company. In a worker-owned company the production co-operative forms at the same time a production institution which carries out the organization of production, its management, distribution, co-ordination, etc., in a particular way. I would call this production institution *managing association.* A worker-owned company consists of an *asset administering association* and a *managing association.* The social base of both forms the production co-operative (the personnel) which has the sole right to elect the members of both associations, to control them and perhaps even to dismiss them.

The objective of the managing association is the organization and development of production and marketing, and thus also the use of the capital made available in such a way that optimal gains are secured. As we shall see later, the profit is always shared out so that a part is paid out to the individual members of the worker-owned company (the production co-operative) for their personal use. The larger the profit which the worker-owned company secures, the larger too the profit shares for individual workers. Thereby the interest of all members is aroused in the most effective possible use and development of capital and production. Before dealing more thoroughly with how this is organized, I would like to demonstrate why the worker-owned company seems to me to be the most suitable form from the point of view of its gradual but programmed creation and propagation.

It is a form of ownership which comes into being without the dispossession of the previous owners. It makes possible the formation of the neutralized capital from the profits of existing firms over a planned period of time which is determined in each case by the legal regulation of an appropriate part of the profits. The part of the profits used for the formation of the neutral capital is not lost to the firms, but constitutes their own capital which can be used for net investment; only its form of ownership has changed. At the same time this makes it possible to set varying time periods for the formation of the neutralized capital to suit large joint stock companies as well as unincorporated firms, middle-sized family enterprises and small businesses. It is necessary to time the stages of transition and vary the rate at which percentages of profit are converted into neutralized

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capital because the entrepreneurial interest in the small and middle-sized firms should be upheld.

In the large joint stock companies the expansion of the neutralized capital could take place relatively quickly, as the entrepreneurial activity has long since been transferred from capital owners to appointed managers. The innovative, risky, often pioneering initiative is carried through by managers who are not co-owners of these firms or, if so, only to a negligible degree. It suffices if they have an interest through special profit-sharing in the most effective possible development of the enterprise. The origin and rapid increase of the neutralized capital from a relatively large part of the profits, intended anyway as net investment in these enterprises, would not change management's activity very much. On the contrary, as we shall see, management would do better if it concentrated on the future requirements of industry, as in a fully operational worker-owned company the conflict of interests between alien shareholders and trade unions would cease to exist.

If an acceleration was required of the conversion of limited share companies to worker-owned companies the entire net investments, even indeed the gross investments, could be made in the form of neutralized capital. Thereby the new capital formed each year would very quickly add to the sums made available to the asset administering associations. By gradually buying back the shares of former shareholders it would be possible over a programmed time-span to convert the entire capital of former joint-stock companies into neutralized capital and thus create full worker-owned companies.

In small and middle-sized enterprises, where owners also function as managers, and where private ownership still motivates entrepreneurial activity, the formation of the neutralized capital could take considerably longer and could at first only take place at all where profits reached a certain level. More important, however, would be that workers have *equality in profit-sharing* (sums paid out for personal use) with workers in worker-owned companies for as long as the enterprises in which they work are wholly or partly privately owned.

Profit-sharing—conducted according to a formula to be explained later—should constitute a strong motivation for workers. If this motivation is missing in small and middle-sized enterprises, then it would be difficult for them to recruit adequately qualified workers. In the case of enterprises whose neutralized capital increases only slowly or not at all, the state might find it necessary to substitute profit-sharing for the workers with tax relief. Another possibility would be to tie up tax relief with the purposeful formation of neutralized capital.

The same regulations should apply to all newly founded firms, which would as before originate from private initiative or be founded by existing worker-owned companies. Up to a certain level of profits these would be private enterprises without neutralization of capital

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but with profit-sharing for the workers. Above a certain profit level the statutorily binding formation of neutralized capital out of the designated portion of profits would occur in the case of privately founded enterprises. However, where enterprises were set up with the neutralized capital of worker-owned companies (e.g. by several worker-owned companies pooling capital) or by worker-owned banks, or by the state, capital would of course have to be completely neutralized from the start. In this way valuable private enterprise initiatives would not be stifled either by the continuation of existing firms or by the private establishment of new firms. However, neutralization of capital would follow a purposeful course over a programmed period of time. Year by year an increasing share of the capital would become the collective property of company workers. Their alienation from capital would thereby be purposefully overcome, and through planned profit-sharing from the first day (of legislative decision) the struggle over incomes distribution could also be overcome. Depending on what new private companies were founded there would of course always be a private sector alongside the worker-owned sector, including the small private enterprises which would have undergone no change. This situation is desirable as not only would private initiatives not be stifled, but (through universal profit-sharing among workers and through the obligatory development of neutralized capital above a certain level of profits) it would put an end to antagonism between those interested in wages and those interested in profits. In this way income can be distributed according to an economic plan and equilibrium can be maintained.

IT is surely unnecessary to stress that once we disregard the political obstacles, the transformation from bureaucratized state industries into worker-owned companies could be effected more easily in the Eastern bloc countries. From the technical point of view, to make these industries independent, evaluate their capital, neutralize it and make use of it through asset administering associations would be relatively simple. There would be problems only with breaking up the monopolistic industrial giants into smaller competitive enterprises which would then orientate themselves in the market. People's economic initiative, once free of bureaucratic fetters, is so great that this development would not take very long to complete. The Prague Spring did at least prove that liberated initiative and interest could in the course of a few months stir up entrepreneurial activity the like of which was previously inconceivable.

The function of the general meeting of worker-owners in a worker-owned company would be similar to that of the general meeting of a limited liability share company. It would be the legislative organ of the worker-owned company and would perform the following general tasks: adopt and modify statutes of the managing association, elect members of the supervisory council (administrative council), assess

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the annual financial statements of the enterprise, appraise the work of the supervisory council and the board of managers, introduce suggestions for the firm's activity, perhaps criticize the activities of the supervisory council and remove its members from office.

The supervisory council constitutes in a fully worker-owned company the elected organ which cares for the interests of the worker-owners. It appoints the board of managers, or rather the business management of the enterprise, and controls its activity in the long term. If results are poor (in comparison with other firms) it has the right to have a professional analysis or examination conducted of the management's activities and replace its members if necessary. It determines the rules for the distribution of the profit-sharing fund. Decisions on the company's financial participation when new companies are founded are also made by the supervisory council.

The supervisory council does not, however, have the right to interfere in the regular activity of the management, as the management bears full responsibility for the direction of affairs. The main duty of the supervisory council is to ensure the effective long-term conduct of the enterprise and the protection of the worker-owners' interests. At periodic general meetings and by other means the supervisory council must keep the worker-owners informed about the fundamental developments, problems and achievements of the enterprise and also consider their criticisms and suggestions and possibly carry them out.

The supervisory council should be elected for a term of about five years, that is, for the period of a medium-term macroeconomic plan. Its members may not be members of the directorate, i.e. of management. The members would for the most part be elected worker-owners of the company, but specialists from outside who enjoy the confidence of the workers could be elected. The total membership of the supervisory council would have to correspond to the size of the enterprise, but should not number more than 15–17. A person could be elected for a maximum of two election terms so that no new official aristocracy could emerge in the worker-owned companies. By re-electing half of the membership at the end of each term of office, leaving the other half to function during a further term of office, the necessary continuity in the work and experience of the supervisory council would be ensured. A material incentive for the members of the supervisory council might be considered to make them feel more involved in the effectiveness of the enterprise over a longer period, possibly through one-off remunerations linked to the development of profits.

THE directorate, or management, is appointed by the supervisory council. However, the management may be composed according to the size and nature of the enterprise; it should always be independent and fully accountable, within the company's regulations, in all decisions that it makes on the development of production, investment

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and business in general. Only in cases of capital investments in new foundations, fundamental restructuring, necessary dismissals of workers, etc., would it have to obtain the consent of the supervisory council. Specialists can also be appointed managers, as long as they are not from the same enterprise. Managers' terms of office are not limited and depend on their work alone. Their style of leadership should not be authoritarian, but democratic, as it is recommended that a democratic system of leadership be introduced throughout the worker-owned company. Actual policies on work, wages and social matters of the worker-owned company are to be settled in the framework of the annual agreements on economic control between management and union.

Every member of the worker-owned company has the right to belong to the asset administering association and to the managing association. He has all the due rights, including above all the right to elect the asset administering association and the supervisory council, access to information on the firm's economic development, the right to share in profits as the rules specify, to participate actively in the democratic system of leadership, to participate in organized economic training, etc. A worker-owner who at his own wish leaves the enterprise ceases to be a co-owner. He will, though, automatically become a co-owner once more in any other worker-owned company he may join.

The trades unions would also have their duties in the worker-owned company, even if their social function would be very different from that in capitalist firms. Nonetheless the interest of the supervisory council is focused on the company's long-term development, its effectiveness and results. The same is true of management. Worker-owners need therefore a further organization which will look after their short-term interests—problems to do with jobs themselves, remuneration, social and cultural requirements. Of course it would no longer be necessary to fight for these interests against alien capitalists. Ways of preserving interests would change. However, somebody has to follow up these immediate interests and examine them to see how they can be realized, especially when the annual agreements with management are concluded.

IN the worker-owned companies there would be then a triangular pattern of responsibility consisting of unions, management and supervisory council. The short-term as well as the long-term interests of the worker-owners would be cared for in a new way by co-operation and mutual control. This new form of ownership and organization should make it possible to ensure job security, long-term and continuous rises in income, proper remuneration, job satisfaction, active participation, identification with the co-operative, and self-fulfilment.

In large enterprises and concerns one must of course reckon with a two- or possibly three-stage organization so that the system is truly

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representative. In the case of large enterprises—those which consist of several plants which are relatively-speaking self-sufficient—there would have to be supervisory councils over the plants as well as a representative supervisory council over the enterprise as a whole. Concerns which are composed of several enterprises would also need a supervisory council over the management of the concern. The organization of the asset administering association would probably have to be coordinated with variously centralized or decentralized companies. How this would be done depends on the great variation in the way different concerns are organized and that is beyond the scope of this article. It is assumed that the fundamental principles of a worker-owned company as defined here could be transferred to the different organizational forms of large concerns, and that the task of the specialists concerned should then present no difficulty.

IT is probably unnecessary to stress that our system, by which decision-making becomes democratic and workers identify with their enterprises, demands that distinct associate companies become as decentralized and economically independent as possible. The larger a concern, the more levels of worker-owner representation there will be, the more important it will be to have the most concerted approach possible to earnings assessment (earnings centres) in the case of companies which are partial yet distinct, and the more important the democratic management system will be. Only if the worker-owners can easily survey the economic results, assess the activities of the representative organs and have direct experience of the collective property can they really identify with their enterprise and become genuinely interested in its development.

Where the neutralized capital of an enterprise is in the minority and the old share capital or privately-owned capital still has great influence, the representation of the wage-earners in the supervisory councils would also be in a minority, that is, whether their representation is increased or not would depend on the goodwill of the owners, and in some countries on the legally fixed regulations governing participation. Where representatives of private capital preponderate, but where parity of representation also exists, then antagonism between wage-earners and owners of private capital will not be fully overcome. As long as the distribution of profits is substantially dependent on the will of private capital owners, the wage-earners' struggle, organized by the unions, for wage increases cannot be eliminated.

If, however, the whole new system were to be politically put into effect in a democratic and lawful way, then relations within the remaining private or still preponderantly private capitalist firms would have to be regularized. In the new system the neutralization of capital would, as we have said, be a politically programmed process which could take place at varying rates. In any case, there would always exist in this system a fairly wide sector of enterprises running on

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private capital (small businesses) or on part private and part neutralized capital. In the politically accepted new system however these firms would also have to conform to regulations on profit-sharing and equality of representation for workers.

As soon as wages in private or partly private enterprises develop according to the economically determined plan and profit distribution among the workers likewise corresponds to the plan, the opposition between those interested in wages and those interested in profits would be eradicated. The struggle for wage rises would not take place, or rather would no longer be supported by the unions participating in the macro-economic plans. Such a wage-settlement and profit-sharing arrangement would in fact provide equivalent remuneration for work in private enterprises and worker-owned companies, and the remaining profits of the private entrepreneurs would have to be considered as motivation for their entrepreneurial activity.

For this reason it would no longer be difficult to introduce into wholly or partly private enterprises organs composed on the basis of parity (in small and middle-sized enterprises there would be no supervisory councils). Through such organs workers and private entrepreneurs or their representatives would make joint judgments and decisions on basic questions to do with the development of the enterprise. Under such conditions the problem of the chairman's political tendency—a burning issue in a situation of antagonism between those interested in profit and those interested in wages, when co-determination on the basis of parity is at stake—should play no decisive role.

ABOVE a legally determined profit-level the conversion of a percentage (determined according to plan) of profit into neutralized capital would be obligatory for enterprises in private ownership. At the same time the state would have to calculate whether this planned percentage of profits requires tax relief or not. Two aims, however, have precedence over state taxes: first, the formation of the new neutralized capital for the worker-owners, and secondly, the maintenance of a sufficiently large balance of profits to continue to offer the motivation of earnings to private entrepreneurs and encourage them to take risks. Macro-planning and accordingly taxation policy would thus have to take all this into account. Private enterprises would then have to decide for themselves whether they wished to convert the newly created neutralized capital into net investments for their own use or, for example, into savings. Their decision would depend on the market situation.

The private nature of small businesses (crafts, small services, etc.) should always be retained up to a specified profit level. Private initiative and the proprietor's own work is irreplaceable in such small businesses. That is shown above all by the experience of the Eastern bloc countries. Workers' participation in profits is unlikely to be

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realized without tax relief. Only when turnover and profit reach a certain level should net investments be converted into neutralized capital administered by the workers. As the small producers would continue to be the private owners of their capital, the incipient neutralization of new capital would not prevent growth in small businesses.

The size of the workers' profit-sharing fund would be calculated from the net profits in the enterprises with help of a central planning formula which is explained in my book. The formula makes it possible to eliminate the discrepancies in ways of assembling capital (relationship of real capital and work) and also different turnover rates of capital in different industries and enterprises. In this way where there is an equal return or yield in profits per capita for workers (relationship of profit to total invested capital, real capital plus wage capital) an equally high share of profits per worker will also be ensured. Different profit yields, resulting from the different market performances of individual enterprises, would then of course also create different distribution of profits. Only in this way can the interest of the worker be aroused in the most effective possible and socially beneficial operation of the enterprise and in the optimization of profits.

The criteria for the distribution of the profit-sharing fund among individual workers would be left to the enterprises. There are various possible combinations of equal distribution per capita and differentiated distribution according to variations in salary, achievement (achievement premiums) or length of membership of the enterprise. The average economic size of profit-sharing per capita of a worker, determined by the formula for profit-sharing, should be neither too low (it must be sufficiently motivating) nor too high, so that in the event of loss of profits the worker would not be hit too hard. An average ratio for profit-sharing of 10 per cent in relation to basic wages seems appropriate.

If the profit-sharing fund is determined with the help of the calculation formula, the development of consumer income can be planned so that it balances with the consumer goods to be offered; the necessary means for investment in enterprises according to projected development can also be secured. The planned economic development of profits on the grounds of necessary investments, calculated in advance, state revenue (taxation on profits), profit-sharing funds, and adequately motivating private dividends, can all be secured through the planned development of wages in relation to the prognosticated net product. Fears that profits would not be high enough to permit profit-sharing to take place arise from lack of understanding of the proposed distribution planning and market mechanism.

The necessary economic average development of profits can be attained through planning. However, as soon as an industry fails to supply demand so that prices drop, its returns (profit yields) may also fall below average. The same is true for all enterprises whose performance drops below the average market performance. This moti-

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vates enterprises to adapt their production to market demand, to react flexibly to market development and to pursue the most efficient production methods and innovations. The neutralized capital enables the workers to carry out necessary changes in management if management is demonstrably to blame for falls in performance and profits. Problems of this kind are too complicated to be dealt with here. It should merely be commented that the market regulation described in my book presupposes not only a deepened transparency of the market and a more consistent promotion of competition, but also a special registration of monopoly profits, as well as taxation to curb them. All this would keep profit development within the necessary limits and within these limits express profit discrepancies more exactly in terms of the different work and market performances of individual enterprises.

ANYONE who believes that this whole orientation towards the neutralization of capital and profit-sharing among workers has nothing to do with socialism is putting ideological dogma and wishful thinking above reality and its demands. But then either he is pleading for the preservation of capitalist conditions, in which the market and profit motivation affect only private owners of capital, while the wage-earners view the development of capital, profits and the economy as indifferent outsiders, or he wants state-bureaucratically planned economic development.

The idea that profit orientation as such should be abolished and people's work organized in a socially useful way, assisted by education and moral influence, ignores not only existing conditions of work and consumption but also all the experience of the communist countries. As long as the work of the great majority of the population has to be differentially remunerated according to working time and division of labour, then different achievements of whole production enterprises—the physical and mental effort required for uninterrupted production and also for innovation, flexibility and greater efficiency—must also be differentially remunerated and motivated. Where this does not happen, the will to achieve and the effort to increase efficiency disappear. The result is a low standard of living for the population, inadequate satisfaction of its needs; development lags behind that of capitalist countries and the people become increasingly dissatisfied.

Communist states have perceived this well enough and most have discovered not only that moral mobilization is not enough and must be supplemented with material motivation, but also that profit motivation for whole production collectives (companies) is necessary. It is the realization that profit expresses production efficiency in the most concentrated way, and that therefore profit funds and profit premiums can create necessary interest among the workers in improving efficiency.

In the communist states, however, things have stopped half-way as far as this discovery goes, and people can or will not see that

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profit acts as motivation towards a socially useful and effective development of production only when the market mechanism is functioning, when prices find their own level on the market, when competition operates more fully, when monopolistic obstacles to trade are overcome and when, in place of the sellers' market characteristic of Eastern Europe, genuine buyers' markets exist. Inconsequential half-measures and not profit motivation as such are what causes production efficiency under the communist system, even in countries with strong profit motivation, to fall behind capitalist production efficiency.

OBVIOUSLY today it is not profit motivation that matters and certainly not economic interests alone, but above all provision for people's ever stronger non-economic needs and interests. Far-reaching democratization of decision-making in micro- and macroeconomic spheres should create the conditions for more humane social development and for people's greater self-fulfilment. But no great humane objectives will be achieved if people's strong economic interests and the need to direct them in directions beneficial to society are ignored.

Whoever aims at social reform in the West, whether with socialist goals in mind or with some quite different starting point, in ethics or ecology, for example, and yet neglects the lessons to be learned from the communist countries will inevitably have little success. Most ideas for reform fail because they aim at too narrow a circle of problems, and ignore the decisive, large-scale connexions in society. Whether the objective of social improvement is described as democratization, humanization or socialization, it can only hope to eliminate the grave threats to humanity successfully if it can grasp the fundamental connexions between economic and spiritual or cultural developments in society, between macroeconomic processes and industrial production, between economic decision-making processes and the interests and motivations behind the decisions, between people's different working, financial and living conditions and the development of their needs and interests. Only by complex approaches of this kind can solutions be found to the special problems and dangerous developments of today.

If, for example, the conquest of the increasingly dangerous pollution of the environment is attempted, and if this process is not seen in its fundamental social and human context, there is little prospect of decisive success. As long as production develops spontaneously and unrestrictedly, it can scarcely be harmonized with the natural conditions of human existence. Unless simplified Marxist conclusions are to be drawn again and solutions sought in state-directed production planning, then the serious lessons to be learnt from communism with its simplification of the social context have to be grasped in all their complexity, and completely new solutions found on this basis.

The huge development problems of our time are not to be solved

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by simplistic or biased systems of ideas, even if such systems—helped by the emotionalized presentation of topical issues—can spur particular sections of the population of one country or another into action. Old dogma and hardened " isms " solve nothing whatsoever. Only by striving towards an unprejudiced, often inconvenient, necessarily complex understanding of society and people today, their real needs, worries, interests and motivations, can we discover truly new, more humane and realistic ways of shaping our future.

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Pluralism versus the Common Weal in the Industrial State

Richard Lowenthal

IN the course of the past decade widespread doubt has arisen about the future "governability" of the industrially advanced democracies. The doubt is due to the rise of several groups of problems. One group concerns the diminishing relevance of the national states due to a number of crucial economic issues that cannot effectively be solved within the national framework—from the need to ensure the supply of energy fuels and vital raw materials and to adapt the direction of investment to the "limits of growth," to the need for stable international currency relations and to the struggle for a redistribution of incomes between the advanced industrial states and the less developed countries; parallel to this, the demand has spread for the devolution of a number of political and administrative decisions to a sub-national level. Another group of problems concerns the growing effects of cultural crisis and value change which are manifest in a reduced readiness for economic performance and political compliance, particularly among the young generation of the Western world. The third group concerns the increasing difficulty of democratic governments in containing the conflict among the major organized interest groups for their respective shares of a national income that is no longer steadily growing and may indeed come to contract seriously under the impact of a shortage of basic resources.

It is this third group of problems that forms the subject of the present article. The intention is to relate them to the nature of our Western states in the industrial age—states that are at one and the same time based on the principles of democracy and of a pluralism of organized interests. I am stressing the pluralist aspect rather than the capitalist one; for though both are obviously connected up to a point, it is a fact that a fascist single-party state, combining capitalist ownership of the means of production with monopolistic party control of all social organizations, would not suffer from conflicts between organized interests any more than would a communist-ruled state based on a similar monopoly. That was indeed one of the principal reasons why fascist single-party states were created in Italy and Germany during the inter-war period.

Of course, the industrial states under communist party rule, by not permitting the autonomous self-organization of major interest groups, are only shifting the problem to another level. Their leadership may receive insufficient "feedback" about the needs of large groups, resulting in sudden mass rioting and political crisis, as in

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Poland in December 1970, June 1976 and the summer of 1980, an indication of a serious deficit of legitimacy. Alternatively, by trying to combine party monopoly with some scope for the representation of a plurality of interests, as practised under the Yugoslav system of "socialist self-management" and attempted in Czechoslovakia during the Prague Spring of 1968, they may risk a loosening of the effectiveness of the party monopoly itself, as shown in Yugoslavia by the Croatian party crisis of 1971 and alleged against the Czech reform leadership by their watchful "allies" led by the CPSU. In this article however, I shall confine myself to the dilemmas created for Western, more or less capitalist, states that permit the free articulation of conflicting interests.

The Problem of Pluralist Democracy

Even in the West, democracy has not always and everywhere been conceived as pluralist. It is sufficient to recall that in Rousseau's doctrine of the General Will, the partial interests of different groups in society were regarded as illegitimate and inherently evil, because necessarily in conflict with the public interest. The theory of Rousseau was followed in the practice of the French revolution, with its denial of minority rights and its refusal of the right of coalition. In inverted form, the French revolution thus continued the doctrine of the absolute monarchy it had overthrown, which had asserted the primacy of the public good represented by the king over the necessarily limited and partial interests once represented by the estates.

Far from being a matter of course, the compatibility of majority rule with the free articulation of partial interests was thus a great political discovery—primarily, it seems to me, a discovery of English parliamentary government since the eighteenth century. At the root of this discovery was the idea that parties, while necessarily based on coalitions of partial interests, should aspire to a government-forming majority in the name of a concept of the Common Weal, and that competing concepts of the Common Weal were thus possible and indeed necessary for the evolution of representative government. But both the English idea of alternating party rule with its pluralist implications and the French idea of the indivisible General Will arose in societies that were merely on the verge of the industrial age and as yet far from the degree of complexity and differentiation that this was to bring. It was only the growth of industrial society that, by leading to the expansion of democratic rights in Britain and more and more other countries, as well as to the gradual acceptance of pluralism in France, made pluralist democracy the pattern of the Western world.

The Stages of State Intervention in the Weal

Parallel with the rise of industrial capitalism, the rise of the organized

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working-class movement took place in the context of this struggle for pluralist democracy—for the right of coalition and for universal and equal suffrage. But as pluralist democracy developed, the political pressures of organized interests—by no means only, but above all of the working class—began to transform capitalism. State intervention in the economy grew not only to strengthen its general infrastructure, but to support specific interest groups—to give protection and security to the workers, to foster newly rising branches of the economy and prop up declining ones, with effects not always advantageous to the development of the whole. It was perfectly logical that Pareto, a militant critic of the thicket of subsidies in the Italian economy, came to the conclusion that a political dictatorship would be needed to restore a functioning liberal market; but it was also utopian—the dictator eventually arrived, but chaotic state intervention continued to grow. Generally, uncoordinated and economically harmful state intervention reached a high point in inter-war Europe—first with the rise of a number of new states engaging in competitive industrialization, then with the breakdown of international credit during the world crisis and the growth of competitive devaluations and autarkic exchange control policies. Both special national interests and special group interests within the nations seemed less and less curbed by any clear and effective concepts of the Common Weal.

It is today too little understood, or too easily forgotten, that economic state intervention underwent a qualitative change for the better after the Second World War, under the fourfold influence of Keynesian concepts, of the new world currency system created at Bretton Woods, and of the Marshall Plan, followed by the creation of the European Community. One aspect of that qualitative change was the greater importance assumed by overall economic goals, such as steady growth and a high level of employment, rather than measures directed solely to specific group interests; the other was the greater importance assumed by concepts of international economic cooperation rather than parochial viewpoints.

The basic merit of the Keynesian revolution—today so often belittled because the specific Keynesian techniques for influencing the level of demand are not by themselves sufficient to deal with the new structural causes of recession or unemployment in our time—is that it produced for the first time economic policies directed not merely to the needs of this or that particular sector or class, but to the level of economic activity of the whole: it produced a form of state intervention directly aimed at the Common Weal. At the same time, the restoration of a world currency system, even though an imperfect one, made it possible to pull the leading industrial societies of the West out of the blind alley of autarkic planning on to the broad highway of the international division of labour. The result of those creative changes was a quarter century not only of

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unprecedented economic growth, but of an unprecedented rise in the standards of living, the social security and the general welfare of the industrial societies of the West. But—and this is frequently overlooked by those economic liberals who generally praise that period—this new stage of democratically organized and controlled capitalism, while eliminating some of the harmful and counter-productive forms that state intervention had taken in the inter-war years, brought a further major increase in the *total* role of the state in the economic life of the industrial countries of the West. The prosperous Western economies of that "golden age" were mixed economies, not only because a number of important industries in most of these countries were nationalized, but in the more important sense that the pace of their growth was controlled, more or less skilfully at different times and in different countries, by the democratically elected organs of the state.

In present conditions of limited growth, when the adjustment to a new scarcity of basic resources and to structural changes in the worldwide division of labour requires a more far-sighted control not only of the volume but of the directions of growth, this secular trend to an increase in the economic role of the state is unlikely to be reversed—whatever the electoral programmes and results of the day may indicate. But another trend *is* being reversed: the trend within the advanced democracies to relatively harmonious relations between the public controllers and the capitalist investors on the one side, and between the organized interest groups engaged in the struggle for income distribution on the other. Public control was easily acceptable to the powerful capitalist firms so long as it was mainly directed towards steadying the overall rate of growth and only exceptionally towards channelling investment into politically desirable directions and making it unprofitable in undesirable ones; it was bound to become onerous to the big investors as, with the growth of environmental or energy-saving policies, the former exceptions tended to become increasingly frequent. Again, relative harmony between the major organized interest groups was natural in a period of steady growth and steadily rising well-being, because in most years the desire of each group for a rising real income could be satisfied simultaneously out of the rising total output; but in a period of accelerating inflation, when each group fears to be cheated of its share by the rise in prices, and even more in a period of "stagflation" or recession, when total output is no longer rising but stagnating or falling, the distribution of losses naturally proves much more controversial than did the distribution of gains. From the point of view of the state, this means that in the new conditions harmony between the public interest, as supposedly administered by the government, and the interests of either the big capitalist firms or the major organized groups is far more difficult to conceive, let alone to achieve.

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Conflicts about the Direction of Investment

Of the two types of new political-economic conflicts emerging in the West, the conflict between the democratic state and the big capitalist combines—including the multinational combines—about the direction of investment is as yet neither fully developed nor fully conscious. Public debate is still largely conducted in terms of the classic arguments in favour of a free market economy on the one side or a centrally-planned economy on the other, whereas the real issue is a change in the existing mix of the market with elements of public control under the impact of new problems. That damage to the environment which arises from particular techniques or locations of production cannot be prevented or corrected by the unaided forces of the market, because the damage to the community does not enter into the costs of the polluter, was known when A. E. Pigou wrote his *Economics of Welfare;* now that the extent and the awareness of such damage have become so much greater, the insight has correspondingly grown that correction must come from public measures to make the polluter change his techniques at the price of higher cost or pay directly for the damage, or to prevent particularly damaging projects altogether. Again, the idea that savings of raw materials expected to become scarce in a now foreseeable future should be effected by public measures making wasteful methods less and economic methods or recycling more profitable, was greeted first with the objection that self-interest in the market would look after that; but the development of the energy crisis has dramatically shown that the normal horizon of foresight of the market actors is too short for them to react to threatening shortages in time, and that the oligopolistic power of some of them is too big for their reaction to actual shortages to be confined to what is tolerable for the economy as a whole. It is one thing, and very plausible, to argue that public intervention in investment decisions should normally be confined to indirect methods affecting their profitability through the market, and only exceptionally take the form of direct administrative orders; it is quite another, and utterly implausible, to pretend that no such intervention is needed in our present-day economy, when it has become inevitable for dealing not only with the two types of cases just mentioned, but also for dealing with distressed regions, problems of mass transport, town planning and others.

The type of conflict discussed here is, however, by no means confined to the sphere of theoretical and political argument; it is often being fought out by the creation of accomplished facts. While governments are trying, by taxes or subsidies, to manipulate in the public interest the economic data determining private investment, big private combines, by their land purchases and long-term investment decisions, are also affecting the data which governments must consider in deciding their economic policy for particular branches and areas. The growth of the volume and intensity of state intervention is not

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a one-way street, but a prolonged encounter between two dynamic processes that are in conflict—the dynamics of highly organized capital seeking its profits and the dynamics of democratic public policy seeking to interpret the public interest. The reality is a far cry from the communist dogma about a monopolist state capitalism in which the state only acts as the agent of monopoly capital, but also from the social-democratic vision of effective democratic control of economic development as a whole in the public interest; the struggle is swaying to and fro in every ministry and boardroom, down to the municipal authority, as well as in public discussions and electoral campaigns, and it may still take a long time to be resolved.

The State and the Organized Interest Groups

According to the classic idea of a pluralist democracy, the organized interest groups—the trade unions and employers' organizations in particular—should be free to fight for their share of the social product both politically and directly; the state should not interfere with wage negotiations, unless called in by the parties as arbiter. In the actual history of Western democracies, even after the full achievement of the right of coalition, state intervention in wage conflicts, including the imposition of compulsory arbitration, has of course occurred repeatedly in critical moments. But during the post–1945 period of high employment and steady growth, such intervention has indeed been at a minimum. Of course, the critics of Keynesian high employment policies have always argued that this measure of social peace was bought at the price of continuous inflation, and it is a fact that this " golden age " was characterized by a steady inflation rate averaging 3 per cent in Western Europe and rather more in the United States; but for 20 years, up to the second half of the 1960s, this inflation showed no tendency to accelerate, and when it did accelerate, it was due to other reasons—such as the mismanagement of the dollar in the context of the Vietnam war. Under the circumstances, most economists and almost all politicians agreed that the price of a moderate and non-accelerating inflation was not too high for social peace.

With the onset of accelerating inflation in the late 1960s and even more with that of the recession in 1974, conflicts between interest groups in general and wage conflicts in particular naturally sharpened. As massive strikes became more frequent and wage demands threatened to foil any attempts at inflation control, the idea spread that it was the task of the state to intervene in such conflicts in the public interest. In some countries and for some time, the method of " concerted action "—of consultation between the government and the major organized interest groups with a view to making them aware of the likely effect of their demands on the overall development of the economy—proved reasonably effective; it was, of course, a method

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that had already been developed during the preceding period of lesser social tensions and that had the advantage of still fully conforming to the idea of pluralist democracy. But as and where tensions increased beyond a certain point, major labour conflicts could no longer be prevented by such methods alone.

In this situation, a variety of suggestions for increased state intervention were put forward. The most obvious, not to say primitive one, was a general wage and price stop by decree—a policy marking a simultaneous radical departure from the principles of the market economy and of pluralist freedom. This policy had had some effect in wartime, when supplemented by the rationing of necessities and underpinned by the appeal to patriotic solidarity; in peacetime, as temporarily applied both in Britain and the United States, it proved a prescription worthy of the advisers of King Canute. In both countries, it collapsed ingloriously.

Another suggestion, made in several countries in vague and veiled forms, was to put the great organized interests under state control in return for giving them some kind of constitutional status by creating a separate chamber of "corporations" or "estates" alongside the parliament formed by general elections. The best that can be said of this idea is that it was not seriously tried in any democratic country. With only a little thought, it was obvious that constitutional status would make no difference to the conflicts of interest so long as the organizations remained responsible to their members—whereas a form of organization that replaced that responsibility by responsibility to the government would turn them into "corporations" of the fascist type and be completely incompatible with democracy.

There remained, apart from a more or less passive acceptance of the sharpening of social conflicts by the government, one suggestion of last resort: the idea of proceeding from the regular consultation between the government and the organized interest groups to the stage of actual negotiation, in which the government could offer material concessions of its own in order to reduce the demands of one group on another. This was the essence of the "Social Contract" offered by the last British Labour government to the Trade Unions and accepted by them several times: the government proposed, and achieved for several years, moderation in wage demands in return for tax concessions, and actually succeeded in reducing the rate of inflation by this device. This, too, was a constitutional innovation, because it was clearly against the British constitutional tradition for the government to negotiate with an interest group outside parliament, and specifically to negotiate about an element of the Budget; the innovation was therefore widely criticized as infringing the prerogative of parliament. Yet in fact, the content of the contract, inasmuch as it affected taxation, remained subject to the approval of parliament. The true constitutional innovation consisted not in *replacing* the government's dependence on parliament by a depen-

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dence on outside factors, but in *adding* to the government's need for the confidence of a parliamentary majority the new need for its ability to come to terms, without coercion, with the great organized interests of the nation. In that, it corresponded to the social reality.

I am inclined to think that this new expression of pluralist democracy is likely to be more or less needed at different times, but to persist in principle and to spread to other countries besides Britain. Already, the persistent dependence of the Italian government on communist toleration is not so much the result of parliamentary arithmetic, as of communist control of the major Italian trade union federation, the CGIL, and of communist willingness to use its influence on the unions so as to put the brake on inflation. In West Germany, however, it may be argued that the government's ability to get on with the unions is not seen as a separate condition for its survival simply because under the present government that ability is taken for granted. There can be no assurance, of course, that in conditions of renewed recession and of a corresponding hardening of the distributive struggles, governments in all the pluralist democracies will be able to meet this requirement; already the collapse of the "Social Contract" in Britain in the winter of 1978–79, due to a massive rebellion of the trade union rank and file, and the subsequent electoral defeat of the Labour government showed the limits of that solution. But experience seems to show that in such conditions, no democratic alternative to the method of controlling social conflicts by varying mixtures of government consultation and negotiation with the unions, and also with other major organized interests, is likely to be found.

Myth and Reality of "Corporatism"

In recent years it has become fashionable, particularly in Britain, to discuss the problems of pluralism in the industrial society under the heading of "corporatism." The apparent reason for this choice of term is the coincidence that, on the one hand, the big capitalist combines are known in the United States and increasingly in international usage as "corporations," while on the other the attempt of the Italian fascists and some of their lesser imitators to suppress the free struggle between organized interests by giving the big interest groups a constitutional status and submitting them to the discipline of the ruling party was known as the "corporate state." As a result, the two problems discussed in this article, the increasing clashes between the democratic state and the major capitalist enterprises on investment policies and the growing difficulties of democratic governments in dealing with major conflicts between the organized interest groups, are sometimes thrown together under the heading of "rampant corporatism," and the question has even been asked why "corporatism" under Mussolini strengthened the authority of the

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(would-be totalitarian) state, while present-day "corporatism" weakens the authority of the (democratic) state.

It should be obvious from our treatment that the existence of this problem, and indeed the myth of "rampant corporatism" in the pluralist democracies of today, is simply due to a misnomer. In the journalist profession, it is a well-known principle that "comment is free but facts are sacred." By analogy, it might be useful to proclaim for the scholarly profession the principle that "definitions are free but contexts are sacred." The term of a chamber of corporations and of corporatism, based on the analogy with the medieval corporations or estates, arose in the context of a totalitarian effort to suppress the freedom of the organized struggle for partial interests characteristic of modern pluralist democracy. To talk of "rampant corporatism" in the Western democracies of today would only make sense if a widespread tendency was evident to transform them by repeating that kind of effort. Yet we have seen that though suggestions of this kind have appeared in political discussion, there has not been any attempt to put them into practice; whereas the new tendency to recognize the trade unions and possibly other organized interests as free negotiating partners of a democratic government goes precisely in the opposite direction and ought not to be discredited by a label with fascist connotations.

The Future of Pluralist Democracy

The real problem facing the democratic industrial states is not the disciplined rigidity of corporatism, but the danger that the struggle between organized interests may, in conditions of inflation and/or recession, take increasingly anarchic forms bound to be harmful to the Common Weal. The way in which the British "Social Contract" was ended by the rebellion of the trade union rank and file, and more particularly of the shop stewards and the middle level, was a striking indication of that danger; and I am inclined to suspect that this rebellion was not due only to the—in many cases very real and pressing—deterioration in the real income and standard of living of the strikers, but also to the widespread change in cultural attitudes and values mentioned at the beginning but not discussed in the main body of this article.

This raises a question not so far posed in our discussion—whether the conflict of organized interests could not be greatly reduced, even in difficult economic conditions, by abolishing the capitalist ownership of the principal means of production: are we not dealing basically with a sharpening class conflict between owners and workers? This interpretation, naturally put forward by the socialist left wing of the labour movement, is contradicted by the fact that many of the most bitter labour conflicts of recent times, particularly in Britain, have affected nationalized industries and public services. The relative freedom of the communist-ruled states of the Soviet bloc

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from large-scale labour troubles, except in times of acute political crisis, would appear to be due to the absence not of private ownership, but of freedom of organization for conflicting interests—not to the overcoming of capitalism, but to the suppression of pluralism. It seems also significant that where the sharpening of conflicts of interest has taken the most damaging forms, it has given rise, in the main, not to a political radicalization under socialist slogans, but rather to political apathy on the Left and a desperate longing for order benefitting the Conservatives.

For those of us who believe that pluralist democracy remains the best form of government for allowing the members of an industrial society to live, work and defend their interests in freedom, the question arises of what are its chances of survival now that it is confronted with increasingly serious economic problems. Obviously, this will depend on a great many factors. One group of these concerns the handling of the economic difficulties themselves. For reasons already indicated, I believe that this will require a strengthening of the economic powers of the democratic state over the directions of investment and the handling of those powers with great foresight and skill. I consider that it will also require a greater measure of economic cooperation, and indeed of institutional coordination of the economic policies of the industrially advanced democracies, and an increased willingness and ability to negotiate jointly on their economic policy disputes with the less developed countries. On all these issues, long-term survival would appear to depend on important changes in both the outlook and institutions of the pluralist democracies.

A second group of factors concerns the handling of internal conflicts arising from the economic difficulties. I have already indicated my rejection of proposals that imply an abandonment of pluralist principles, and my belief that the best chance of success will be offered by increased consultation, and where necessary negotiation, between the democratic governments and the organized interests. This policy of the best chance is evidently not a panacea—but the more sucessful the economic policies, the more likely it, too, will be to succeed.

A third group concerns the cultural and behavioural changes hinted at in the beginning of this article. These are hardly accessible to direct political treatment, except possibly by changes in education. But the prospects of a renewal of belief in the basic values of the West will clearly be the more favourable, the better general political and economic practice demonstrates the capacity for renewal and hence the credibility of those values.

Finally, if those are the conditions for the survival of our pluralist democracy, what are the likely alternatives if it fails? In my view, an ideological revolution of the communist type is not one of them. In fact, no industrial society has ever experienced a revolution—either a democratic or a communist one—for the simple reason

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that in the complex conditions of life in such a society, with their multiple dependencies of each individual on the functioning of a network of institutions and organizations, the outbreak of a serious social crisis produces a widespread longing for order rather than a will to revolt (which is why " revolutionary " takeovers from above, both by fascists and by communists, *did* occur in industrial societies). It is surely no accident that even the communist parties of Western Europe and Japan no longer believe in revolution and that the strongest of them have become weaker rather than stronger in recent years.

A far more likely alternative, in the case of a worsening dysfunction of pluralist democracy, is a period of quasi-anarchic dissolution of the public order, followed by its restoration by brute force under some kind of military leader. Such a " praetorian " regime, possibly without any legitimating ideology or moral standards, would, of course, in no way be preferable to a communist dictatorship, but it would be far more likely, just because it would not presuppose an ideologically inspired movement but would be a " natural " product of political and social decay.

I confess that I find it difficult to envisage any other, possibly more attractive, alternative. In the circumstances, the effort to preserve our pluralist democracy by the necessary economic and political adjustments seems to me eminently worth while.

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Society, Bureaucrats and Businessmen

Stanislav Andreski

IT is proof of his genius that, writing before the end of the last century, in the concluding paragraph of a work on the social systems of antiquity, Max Weber envisaged a victory of bureaucracy over capitalism. Later, a year after the Bolshevik revolution, he spoke of the prospects of the dictatorship of the bureaucrats. It seems, however, that his misleading concept of rationality (which he infused into, among other things, his idea of the nature of bureaucracy) prevented him from considering the two aspects of the bureaucratic phenomenon on which the present article is focused. The earliest writer to consider the question of what I call the "flaccidation" of the bureaucratic machine was Gaetano Mosca, when (in several articles written around the turn of the century and reprinted in the volume *Partiti e Sindicati*, 1949) he discussed the possibility of the unionization of state employees and its likely consequences.

The concept of parasitism presents all the ambiguities which make the social sciences so difficult. It resounds with condemnation and is often used as a mere expletive, yet it refers to a supremely important phenomenon for which there is no other word. In principle, it can be defined simply enough, as consumption unaccompanied by any contribution to the production of wealth. However, whereas it is passably clear what consumption is and how it can be measured, an assessment of the contribution to production is fraught with perplexities, except in clear-cut cases of individuals or groups who make no contribution of any kind to production, nor have any ancillary function. A playboy living on inherited wealth and a good-for-nothing living permanently on social security are obvious parasites. So were the courtiers of Versailles. The difficulties arise with people who are engaged in an activity which they claim to be useful but which may make no contribution to the production of wealth, or which makes it in a very indirect way.

SOME of the ambiguities are easy to dispel. The children, the old, and the sick constitute a burden on the producers, but we can exclude them from the category of parasites by defining parasitism as a way of life rather than a stage of life, and by restricting its applicability to people able, in body and in mind, to do useful work. In common usage, the term parasite implies an unwillingness to work, but this criterion is of little use in diagnosing parasitic occupations or situations where employees, who would like to do something they regard as useful, are kept idle and bored by rules and regulations, slack or wasteful

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management or restrictive practices. In Britain and a number of other liberal countries prisoners are compelled to be parasitic, whereas in communist countries they produce more wealth than they consume.

In non-affluent societies, the involuntary non-producers are as a rule poor, while the voluntary non-producers are relatively rich. The reason for this is that parasitic appropriation of wealth rests on the use of power, and those without it get a pittance. Historically, the burden of the beggars and thieves has been slight in comparison with that of the non-productive higher classes. In pre-industrial states power was normally divorced from production. The physiocrats in the eighteenth century were not far from the truth in regarding the peasants as the sole productive class because not only the courtiers and the squires, but almost the entire urban population was parasitic in relation to the peasants, as it took a large part of what the latter produced, while giving them next to nothing in return. The division of society into the non-productive ruling class and the subject producers —a universal feature of pre-industrial states with few and very partial exceptions—stemmed from the origin of the state as an organization for levying tribute for the benefit of the conquerers. True, in the river valley civilizations the priests and the officials played an important part in organizing irrigation, but this was not for the benefit of the peasants, who had to surrender everything that they did not need to survive and work.

THE complex division of labour inherent in industrialization has put an end to the congruence of power with non-productivity. The commercial and industrial societies of the nineteenth century were the first in which the thorough involvement of the privileged classes in the process of production was manifest. Everything is, of course, a matter of degree: some of the Italian commercial republics, the autonomous cities of Germany and, above all, Holland, also showed this remarkable feature of wealth-producing elements (in these cases, merchants rather than the manufacturers) constituting an important (sometimes even the dominant) sector of the ruling class. It is also true that in some periods and places some of the members of the landowning class actively managed their estates, thus deviating from the usual way of life of the landowning nobility, which was more or less pure parasitism. Such exceptions to the rule were particularly common in Holland and England well before the advent of industrialization. Nevertheless, by and large the nineteenth-century societies, dominated by the business class, were unique in bringing about a union between high status and power with a thorough involvement in the production of wealth. Nowhere was the political and social ascendancy of the business class—or the bourgeoisie, if one prefers the less clear but more frequently used term—absolute, as everywhere (with the exception of the USA outside the South) it had to share

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power and prestige with the nobility, the clergy and the officials, the latter class being much more important in continental Europe than in Britain. Nonetheless, the involvement of the dominant class in the production of wealth was unprecedented and inseparably connected with the equally unprecedented material progress and general advance of civilization.

HENRI de Saint-Simon—an unsystematic but extraordinarily fertile thinker who gave currency to the terms "capitalism" and "socialism"—also coined the term "industrialism" to designate an important point in his programme of reforms: he thought that the progress of European civilization was due to a partial transfer of power from the parasitic to the productive sectors of society and he wanted to ensure further progress by speeding up this process. He was much more modern and far-sighted than Marx in realizing to what extent production depends on organization and research, whereas the latter was retarded even then, let alone in relation to the present situation. When Adam Smith formulated the labour theory of value (with which, incidentally, he did not seem to be very happy) it had some value as an improvement on total incomprehension, despite its inability to account for the high price of many effortlessly acquired objects, or for the price of labour itself. Both these puzzles were solved when Augustin Cournot invented the concept of marginal utility while Marx was still alive. In Marx's hands, the labour theory of value became a specious method of "proving" (by the underhand postulation of an unproven axiom) that only the manual workers produce anything, while the gains obtained from organization and management are pure robbery. This retarded notion is pictorially represented by the hammer and the sickle on the Soviet flag, which symbolized well enough the mode of production in the more backward parts of Tsarist Russia, but are outdated souvenirs in the USSR of today.

Although it undermined the hereditary principle of social stratification, mercantile industrialism continued to renew the parasitic elements through the mechanism of inheritance of wealth, which permits the very rich to live in idleness and luxury and enables the less rich to obtain advantages on the labour market which have nothing to do with their effort. This tendency is pinpointed by the term "capitalism" which tacitly stresses the gains from ownership, whereas "industrialism" emphasizes the entrepreneurial and managerial functions.

The inherited advantages and disadvantages of individuals appeared as natural when lineages were regarded as the fundamental units for the attribution of rights and duties, while individuals were viewed as mere links in the chain of generations. By weakening the solidarity of kinship and promoting individualism, the market economy took away the moral justification of inherited inequalities. Individualism is

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perfectly compatible with great differences between individuals in earnings and possessions, but not with the principle of inheritance. Even if it could be proven that the market distributes rewards according to merit (in the sense of the magnitude of the contribution to the production of wealth) it is difficult to justify the inherited inequalities in the light of individualist morality. So, the moral rightness of the distribution of rewards through the market can be impugned by pointing out that it is biased by the inequality of the starting points. Economics has functioned as an ideology by glossing over this fact: it could show that the freedom to produce, buy and sell will maximize the utilities of all involved, given the structure of demand; but, if this structure is deemed to be unjust, then the outcome cannot be regarded as optimum even under conditions of perfect competition. The justification of the market economy is further weakened by the phenomenon of monopoly. And it is not merely the question of obvious monopoly in the strict economic sense but also of more or less camouflaged barriers of an educational, ethnic and convivial kind which give some people an initial advantage in economic competition.

DESPITE its lack of moral appeal, the free market economy has provided the basis for all the glorious and unique achievements of Western civilization. The relative contributions of different nations to intellectual and moral progress are directly proportional to the degree to which they have been permeated by this type of economy.

During the more recent phase of industrialization the ever-growing complexity of production and administration has created vast fields for parasitism. Unlike the clear-cut and conspicuous parasitism of the idlers, or the clearly visible though partial parasitism of the blue-collar workers, known as "feather-bedding," "work-spinning" and "over-manning," white-collar parasitism is mostly invisible and for this reason difficult to assess. I would consider, however, that in Europe it absorbs a much larger share of the national income than that consumed by the idle rich. Its growth is stimulated by the internal Parkinsonian propensities of the administrative bodies as well as by the politicians' custom of rewarding their supporters with jobs.

The transfer of wealth from producers to mere consumers, entailed by the aforementioned process, has often been commented upon in connexion with discussions of the tax burden. So, I shall only add that there is a vicious circle at work here: the larger the non-productive sector becomes, the larger absolutely will be the sums needed to maintain a given rate of its growth. But as the productive sector has in the meantime shrunk, such sums will constitute increasingly large parts of its wealth. The tightening of the economy due to this type of squeeze may end by reducing the absolute amount of wealth produced, and on occasions in the past (in the Roman Empire, for example) it has even reduced the population by pushing the standard of living of the producers below subsistence level. As the shrinking of wealth fostered

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strife, this mechanism brought about the disintegration of a number of pre-industrial empires. The inherently progressive technology of our times delays (and temporarily eliminates) the effects of this feedback mechanism. Nonetheless (as I have tried to show in my books on Africa and Latin America), even in the modern world parasitism remains crucial in maintaining many countries in poverty, and has brought about the downfall in Uruguay of the most democratic regime in Latin America. In democratic politics a point of no return is reached when the voters employed in the parasitic sector outnumber those engaged in the production of wealth: the trend towards unrelenting growth of the parasitic sector can no longer be reversed and the democracy is then doomed to destroy itself.

I do not agree with the view, often expressed, that the extension of state control over the economy in Western Europe and North America has made people less free than they used to be. On the contrary, I maintain that ordinary people are freer today than they have ever been: they no longer have to worry whether they will eat tomorrow; they do not have to be afraid of the boss; in Britain at least they have won the precious freedom to be lazy and careless; they can be improvident with impunity; they are free to enjoy carnal pleasures as they like and they do not have to be deferential to anyone. If they are prepared to limit their material wants, they can live without working. This state of affairs might be desirable, but the question is whether it is viable in the long run. It seems likely that, when faced with a serious challenge (whether environmental or foreign) a structure which mollifies people to this extent might collapse like a house of cards. It is also possible that the present trend towards less and less disclipine will lead to anarchy which might end in a tyranny.

The liberal and democratic systems might also disappear because of their inability to defend themselves. Autocratic rulers need not themselves make any sacrifices for the sake of maintaining military might: they impose them on their subjects. In a democracy the majority of voters must be sufficiently concerned about their long-term interest in being able to defend themselves to be ready to sacrifice some of their immediate satisfactions for this purpose. This is always difficult, as there are always demagogues eager to win power by spreading soothing fables about the non-existence of external danger. This is one of the main reasons why despotism has been the prevalent form of government.

APART from the weaknesses stemming from the aforementioned discordance between the principles of individualism and inheritance, the system of private enterprise suffers from another vulnerability which derives from the moral unattractiveness of market behaviour. For millions of years human beings lived in small groups permeated by unflinching togetherness and mutual aid, and the dream of a return to primeval solidarity has always haunted the populations

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encompassed by large political formations. Although the Churches compromised with it, and the clergy often backed it, no religion has explicitly sanctioned selfish acquisitiveness. The principle of competition, moreover, appeals only to those who hope to win. Those expecting to lose would welcome a cancellation of the race; and if it is run, the losers will envy the winners. The yearning for a higher morality than selfish pursuit of gain, and altruistic compassion for the unfortunate combine with the promptings of envy to feed socialist ideals. The common denominator of these is the quest for solidarity and mutual aid, but their promoters have not been able to devise any other method of implementing them than the extension of government control over the economy, which foredoomed these ideals to corruption by the vested interests of the bureaucratic classes.

Although this was not the case in the early United States—which (outside the South) was a society of independent farmers—it is difficult to see how democracy could fail to lean towards socialism in a society where the wealth is produced collaboratively and where there is some conflict about sharing it. The less fortunate majority will be inclined to vote for the politicians who promise to do something for it, rather than for those who propose to leave the market forces to operate undisturbed. At the beginning, the socialist movements may (where the growth of wealth permits it) put an end to the coexistence of misery with ostentatious wealth but in the later stages demagogues are likely to play on people's improvidence and encourage them to consume instead of investing, thus endangering future prosperity.

Despite promoting the trend towards a state controlled economy, democracy does not permit its firm implantation because it prevents the necessary concentration of power. The dichotomy between the free market and the planned economy is false because other possibilities not only can be envisaged but have up to a point already materialized. You can have control without planning: you can be steering a boat without knowing where you are supposed to be going, or even where you are. Recent experiences (notably in Britain and Italy and above all in Poland) have also shown that you can have far-reaching regulation or interventionism without effective control, the government resembling a helmsman who is swinging a tiller disconnected from the rudder. Nor is power usurped by the unions, although they are often represented as a menacing monolith. Though quite powerful in their relations with the employers, the union leaders have little control over their followers. To use another nautical metaphor, the role of the unions in the British economy resembles that of a hefty drunkard in a dinghy who has to be humoured lest he capsize the boat, but who is unable to take over the helm because he cannot even control the movements of his own limbs.

To re-establish a competitive market economy it would be necessary not only to curb the unions but also to dismantle the monopolies.

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The unions' power is a relatively late (and in many ways a reactive) phenomenon in comparison with the trend towards industrial concentration. The tragedy of economic liberalism is that under the present conditions the market, left to itself, brings forth monopolies, eliminates competition and thus ceases to be "free." It would have to be forced to be free by the government's intervention. But the bureaucratic machine needed for coercing business to remain free would hardly give up its power and interventionist habits.

Nor would it be easy to curb the unions. Many naïve people imagine that the passing of a few laws would suffice; but a law must either be willingly obeyed or be enforced, and in no north Atlantic country is there a machine of coercion which could cope with massive disobedience. Old ladies might vote a government into power but they could not fight the strikers. On the other hand, if a machine of coercion of sufficient dimensions were to be set up and used, it might be tempted to usurp power rather than use it for the benefit of parliamentary politicians and capitalists. So it seems that we are stuck with the kind of system which can be labelled "pressure bloc economy"; and the only practicable aim can be to prevent it becoming all-embracing and water-tight, so that in its interstices there is some room for innovation and individual initiative.

DESPITE its irreversible displacement of the free competitive market, the pressure bloc economy may be unviable in the long run because it appears to have no mechanisms for adapting itself to changes in the environment. Under static conditions one could imagine a magnified and immensely more complicated version of the economy of an Indian village community, where the exchanges between the producers (the cultivators, herdsmen, blacksmiths, cobblers, weavers, tanners, medicine men, priests and so on) of various goods and services followed the rates fixed by age-old custom. Customary norms, rather than the market, also determined the amounts produced, the methods of production and entry into the occupations. Though far removed in scale, the so-called incomes policy is somewhat similar in spirit. Lacking power to enforce their decisions and without any idea of what kind of principle should determine the relative shares in collectively produced wealth, the governments attempt to "freeze" wages and prices—a significant expression which betrays a frame of mind characterized by unthinking clinging to the precedent. A system based on such ideas must be totally unadaptable.

The increasing worship of democratic and egalitarian ideals, which is undermining all hierarchies, coupled with the constant widening of the sphere of government regulation of an ineffectual kind, and the Parkinsonian proliferation of administrative personnel, are producing a disarticulated but constantly growing machine which can neither control anything properly nor be controlled by anybody either from

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inside or outside. It might be excusable to introduce a neologism, "flaccidation," to describe the process whereby an administrative machine becomes increasingly like a cancerous limb—incapable of controlling anything efficiently, and at the same time uncontrollable.

In contrast to the unionization of the workers in private firms subject to the constraints of the market, the unionization of civil servants, accompanied by the right to strike as well as security of tenure, precludes any possibility of effective government. Barring a conquest from without, in Britain we are not threatened by a totalitarian or bureaucratic tyranny; but we are in danger of being immobilized by the sheer weight of an increasingly flabby bureaucratic hulk.

Evolution in this direction proceeds most smoothly under governments which espouse the ideology advocating the extension of governmental regulation of the economy, conventionally called "socialism." But even the governments which ardently proclaim their devotion to the free market have failed to stop either the expansion of the bureaucracy or its flaccidation.

A STRANGULATION of the economy by red tape is not in the long term interest of the members of the administrative class. Many of them see it clearly and would like to put a stop to the blind Parkinsonian mechanisms of hypertrophy. But a reversal of the trends is made more difficult by an ideology which removes all moral restraints on bureaucratic parasitism.

A key role in spreading the ideological miasma is played by people who claim to pursue a scientific study of society and politics, and who, therefore, should be the most immune to the allurements of a simplistic and obsolete doctrine. Though surprising at first sight, their predilection for Marxism can easily be explained along the lines of a Marxist interpretation—that is, in terms of economic interests—as dogmatism is the surest method of reducing work while drawing unreduced pay.

It is only fair to admit that not all Marxists are unintelligent and averse to mental effort. As in other sects, there are among them a few individuals of outstanding knowledge and ability whose fanaticism stems from neurotic tendencies which only psychoanalysis could unravel. However, they are acclaimed so widely because they help a crowd of individuals at best fitted for simple routine tasks to make an easy living by regurgitating simple slogans, and to gratify their egos by posturing as scientists while rejecting the cornerstone of the scientific outlook which is, of course, that no one is infallible and no theory is beyond refutation by new arguments or data.

They have been particularly successful in promoting their doctrine in the field of educational theory and sociology, where they have arrived within a stone's throw of their annihilation as serious subjects. Their advances have been helped by a kind of ratchet mechanism:

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the Marxists always have a good chance of obtaining appointments controlled by liberal-minded scholars who (even when they are prominent members of the Conservative Party) usually lean over backwards to show their tolerance; whereas wherever the Marxists gain influence, they have no scruples about choosing the means to ensure that no one who does not share their creed will have the slightest chance of getting in.

The success of the Marxists in extending their influence in the educational institutions—which has been even greater on the Continent and is very marked in Canada and the United States—disproves their own theory according to which these parts of the world are ruled by capitalists who always act to protect their interests, as, in fact, considerable sums are spent on maintaining people who incessantly denigrate the existing system and want to destroy it, and even greater sums on providing them with a paid, captive audience.

While the Party " agitators " in Soviet factories, offices, and farms preach about the duties of the citizen, and exhort the workers to work harder, drink less, obey the chiefs and not complain, the efforts of their friends in the West are directed towards making people despise work. In contrast to the outlook of the pioneers of the labour movement, who regarded the willingness to work as a moral virtue, and believed that everybody ought to work, the chief message of today's Left is that nobody should have to work and that everybody should get everything for nothing.

ONE of the ways in which Marxism stimulates bureaucratic hypertrophy is by drumming into our heads that, regardless of the actual circumstances, the workers are always exploited by businessmen who organize and direct their work. The social prestige of the latter has been declining for many reasons which require a psychological and sociological explanation.

The supply of talent for business depends not only on material rewards and opportunities but also on the esteem in which this field of activity is held. The obverse side of this esteem is the influence of the notions which cast the businessman into the role of an exploiter who takes away the wealth from the real producers, rather than a benefactor who, by his initiative and ability, makes an indispensable contribution to the production of wealth. This view is the quintessence of Marxism. Therefore, if we can explain the roots of its appeal, we shall find a part of the answer to the question of why the spirit of enterprise has been flagging.

One does not need to be starry eyed about businessmen to find their demonization puzzling at first sight. True, the profit motive lacks moral appeal, but one sees plenty of desire for money in other walks of life, including " the caring occupations ". Moreover, in contrast to many hypocritical politicians, academics or officials, businessmen at

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least deserve credit for not concealing their concern for material rewards. But what is even more important, despite its many serious shortcomings (which, in my opinion, call for very substantial reforms) the market economy with private enterprise is the only system which has supplied an abundance of goods and services to all sections of the population in those countries where it has reached a high level of development. One need only look at the Berlin Wall to see how the benefits of this system are appreciated by the subjects of Marxist governments. Since these facts are so obvious and can be verified at first hand by anyone who cares to take a trip to the Soviet Union, East Germany, Poland or Czechoslovakia, the influence of Marxism can only be explained along the lines which Marx and Engels have followed in their treatment of other ideologies: that is, by looking for the services which this doctrine renders to those who profess it. Leaving aside the somewhat different situation in the poor undeveloped countries, we can take as our first cue the fact that in the industrialized countries there are very few blue-collar workers who are interested in Marxism, while its devotees are found almost entirely in the class of diploma holders employed (or seeking to be employed) by the state or its subsidiaries: that is to say, people, a large part of whose incomes come from the money taken from the blue-collar workers in taxes.

IT may appear very strange that anyone should seek a remedy for the ills of our civilization in the books of an author who (though very talented, learned and creative) wrote them when railways were just being built, when there were no motor cars, let alone aeroplanes, no electric light, no telephones, no statistics; when trade unions and joint-stock companies, whose future importance he could not guess at, were just beginning to appear. To bring out how obscurantist is the parading of an antiquated doctrine as if it were the latest discovery, it is enough to ask: what did Marx say about the consequences of automation, computerization, television, medical prolongation of life, environmental pollution, the population explosion or atomic energy and weapons? We may be less surprised at this fixation if we bear in mind how difficult it is to eradicate superstition, that in this scientific age millions of people believe in fortune telling and in most ultramodern sky-scraper hotels there are neither floors nor rooms numbered 13. Nonetheless, a more specific explanation must be sought of why this doctrine rather than another is still the object of veneration by so many.

Most of the errors of Marx and Engels have been exposed long ago. Given the neglect of economic factors in the historical literature of the early nineteenth century, the "materialist" (that is, economic) interpretation of history had the great merit of a shock therapy which, by making exaggerated claims, helped to correct the equally one-sided preoccupation of the historians with ephemeral incidents and the

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doings of the great. However, innumerable examples—a kamikaze pilot on a suicide mission, a martyr or a Hindu dying of starvation yet refusing to kill a cow—show beyond any doubt that material interests can be overridden by other motives. The conception of " the material basis " as something separate from " the superstructure " of ideas is nonsensical because " the material basis " consists not only of tools as physical objects but also of ideas about how to make and employ them. The notion that " material basis " determines the political " superstructure " was contradicted by the founders themselves when they called for a " revolution " instead of waiting for the effects of technical inventions to bring about socialism. A practical demonstration of the falsity of this notion was given by Lenin and his followers who seized the political " superstructure " and then used it to smash the old economic " basis " and to create a new one. The latter was entirely their invention because (as Lenin himself pointed out) Marx left no instructions about what to do after the expropriation of " the capitalists ". And, of course, the place and time of the revolution were at variance with the theory. When we see people sticking to a belief in the face of clear evidence of its falsity, we must enquire into the motives which may prompt self-deception or dupery or (what is most common) an amalgam of both.

Many writers and orators before and after (but independently of) Marx deplored the condition of the poor, condemned the greed and selfishness of the rich, and protested against the institutions (often the market) which they blamed for these circumstances. The saying of Jesus about the camel and the eye of a needle was taken very seriously by the early Christians. Much earlier, similar sentiments were voiced repeatedly by the Hebrew prophets. Irreligious communism began during he French revolution with Gracchus Babeuf. The famous phrase " property is theft " was coined by Joseph Proudhon whom Marx vilified. No one needs Marx to find historical support for criticizing the inequalities of wealth. Nonetheless, Robert Owen, Blanqui, Cabet, Fourier, Proudhon and all the other eloquent preachers of equality are seldom mentioned while Marx continues to receive totemistic genuflexions. Why? The answer is that Marx's doctrine has the unique advantage of being able to serve two purposes simultaneously: it can be used for attacking one form of inequality as well as for camouflaging another—it condemns the capitalist and exonerates the bureaucrat. Thus, it provides a convenient justification of the bureaucratic revolution whereby the elite deriving its privileges from the ownership of wealth is replaced by one whose privileges stem from administrative power.

IF people were more rational, the absence of any blueprint for a new social order would have put off potential followers because what is the good of pulling down the old order if you do not know what to put

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in its place? In fact, however, this omission has acted as a magnet rather than a deterrent because it attracts to the doctrine people motivated by sheerly destructive impulses, who do not care what will happen afterwards so long as they can destroy what they hate or merely give vent to their destructive urges. Secondly, the lack of a blueprint permits an alliance for the purpose of destroying the old order between people with very different views on what kind of new order they want. Thirdly, it permits the use of Marx as a totem of an order of which he himself would in all likelihood disapprove. Had he been more specific about what he wanted to have after the revolution, he would not have sketched, we can feel confident, Stalin's prison state as the communist ideal; but, because he said next to nothing about it, even people in charge of gulags can claim to be implementing his ideas. Thus his position as a totem rests upon his negligence as a guide.

The great advantage of Marxism as an ideological weapon is that it fosters hatred of the rich rather than compassion for the poor, and that its dismissal of ethics liberates its followers from any constraint on the choice of strategy in the struggle for power. Perusing the works of Robert Owen or Henri de Saint-Simon, we can see that they were moved by compassion for the poor and appealed to altruism in which they saw the foundation of a new and better order. In contrast, the writings of Marx abound in humourless expressions of coarse venom, and lack any signs of compassion for the suffering or concern for justice. The tone of his writings is in keeping with his conduct of which the most striking example was his treatment of his illegitimate son—the only proletarian to whom he was related. Abusing the power of a Victorian employer, Marx, having made his servant pregnant, dismissed her, and apparently afterwards gave no support either to her or to his proletarian offspring. It is not surprising that his message appeals to self-seeking pseudo-levellers.

When stripped of the pretentious mumbo-jumbo in which it is couched, Marx's theory of value and surplus value boils down to an assertion that all profit is illegitimate—indeed, stolen from the workers. Only those who work with their hands are deemed to have contributed to the production. The functions of innovation, enterprise, risk-taking, organization, management and technical expertise are disregarded; and no share in the proceeds can be legitimated within this scheme as the reward for performing them. Later Marxists have recognized the contribution of technicians and managers, but only in so far as they remain pure sellers of their labour. As soon as they acquire a share in the business, they become exploiters. The man who runs his business makes money solely because he owns it. His enterprise, commercial judgment, or technical and managerial skills have nothing to do with it. He is not a businessman (etymologically—a busy man), not an enterpriser ("entrepreneur") but a capitalist—a usurer. The word

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" capitalism " (one of the many neologisms invented by Saint-Simon) was given currency by Marx who thereby put into the limelight the less appealing side of the market economies as we have known them—namely, the existence of large unearned incomes and possessions—and obscured the features more likely to elicit admiration, as they are widely regarded as contributing to progress: energy, initiative, pluck, skill, hard work and other traits associated with the word " enterprise ". Indeed, if we disregard the fact that of all the economic systems which have come into existence up until now, competitive private industry working for the market has given the greatest scope to the aforementioned propensities and talents so necessary for progress, a condemnation of this system almost inevitably follows, because little could be said for a system the only result of which would be large unearned incomes for a small number. Here we have one more example of how attitudes can be surreptitiously manipulated by labelling.

THE serviceability of Marxism on the political arena is not limited to its condemnation of profit, because the open message that " all profit is theft " is coupled with the blinkering unspoken assumption that " there can be no theft other than profit." This is done by defining class solely in terms of relationship to the means of production, putting on one side those who own them and on the other, those who do not. The older conception of class—still common among ordinary people who have not been brainwashed by doctrinaires—is that it has to do not only with ownership, but also with other forms of privilege and power: with how well you live, what you can or cannot afford to do, whether people bow down to you or treat you with contumely, in the final resort with the barriers between the rich and powerful on one side and the poor and powerless on the other. By contrast, according to Marx there is no power or privilege which is not rooted in ownership of the means of production. Society is divided into the exploiters who own the means of production, and the exploited, who sell their labour. There is no room in this scheme for exploitation by other means such as pocketing money taken from workers as tax. You can easily see why the party bosses in the communist countries cling to the doctrine which enables them to claim that they have created a classless society because they have abolished private ownership of the means of production, and that all their perks do not add up to a class privilege because they do not own the means of production. As they are merely paid for their work, they are (according to the theory) proletarians like the drudges on the shop floor, and therefore their dictatorship is the dictatorship of the proletariat.

Unlike the writings of other prophets of socialism who spoke about the rich and the poor, Marx's obsession with the ownership of the means of production could also be relied on to justify the attack on poor and hard-working peasants, craftsmen, and shopkeepers, and the

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grabbing of their modest means of production in order to deprive them of all independence and make the power of the rulers total.

Although it cannot take such extreme forms in the countries which have not fallen under the sway of a totalitarian bureaucracy, the function of Marxism is basically analogous here: it also rules out by definition any accusations against those who live on money raised through taxation that they might be exploiting the workers. No matter how little they do, or how worthless, or even harmful, are their activities, they cannot be condemned as exploiters because they do not own the means of production. So the official who travels around the world on eye-washing "development missions," staying in luxury hotels, the professor who spends his time on politicking, gets a second salary from a quango (and, if in Oxbridge, lives, wines and dines in splendour, served by a "scout," without having to pay for it), the idle community relations officer, the student who gets an equivalent of a three years free stay in a holiday camp—can all get an unconditional absolution from the Marxist theory and tut-tut with good conscience about the wicked capitalists sitting on the workers' backs. Public expenditure is hypocritically presented as a transfer of wealth from "the capitalists" to the workers, whereas in fact it is mainly a transfer from the blue-collar workers to the administrative class and its educational appendages.

TO forestall misunderstandings, I must make clear that, although I view with grave misgivings the colossal waste of the taxpayers' money which is, in fact, going on in most countries, and regard it as one of the greatest dangers to this country's economic future, I am very far from believing that all public expenditure is *a priori* undesirable. It seems to me doctrinaire to regard public expenditure as intrinsically either good or bad. To my mind, its merits depend on how much is spent on what, with what results, and at what cost. Nor do I envisage a return to the nineteenth-century "night-watchman state" as either desirable or feasible. Indeed, in some areas—especially in matters of damage to the environment and of unpriced external costs imposed on third parties—I would even favour stricter regulations. One of the most weighty arguments against nationalization is, to my mind, the evidence that a government is less likely to regulate with wisdom and moderation the affairs of an industry which it owns: for instance, ecological protection in Sweden, West Germany or the USA, is much more effective than in any country of the Soviet bloc. Obviously, no modern state could function without a large body of administrators and other public employees. As a matter of fact, in this and a number of other countries, many (perhaps most) of these are dedicated, punctiliously honest, hard-working and capable people who are discharging indispensable tasks. It is just as silly to demonize civil servants as to imagine that all businessmen are blood-sucking crooks. However, the

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health of a society, like that of an organism, is a matter of balance and proportion. No matter how useful, nay indispensable, is an organ, it can cause incapacity and death if it grows beyond its proper size. And one of the great dangers to the survival of our civilization is the seemingly irresistible hypertrophy of bureaucratic bodies and their educational and other appendages.

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The Social Ownership of the Means of Production

Edward Shils

IT is now said by some observers that the "left" is in retreat. The "left" referred to by these observers is the body of intellectuals who denounce the capitalist organization of economic activity and the type of society in which it functions and who think that a socialist society would be far better. It is pointed out that the "left" in this sense has become increasingly aware that communist regimes are inimical to political democracy and to individual freedom in the economic as well as the personal sphere; they are inimical to the strictly artistic freedom of painters, sculptors and literary men and women, quite apart from their infringement on the freedom of these artists to express their political and moral views through their works, if these views are not in strict conformity with the line promulgated by the ruling party and its agents. It is also pointed out that the "left" is more ready to acknowledge that communist regimes do not manage their economies well, that there is great inefficiency and wastage and that the productivity of communist economies is inferior to that of capitalist countries, and that the standard of living of the mass of the population in communist societies is far lower than it is in societies with predominantly capitalist economies. It is also pointed out by those who wish to take comfort from the discomfiture of the "left," that the working class, on whose consciousness it has counted as the substance from which the dream of socialism was to be realized, is not very enthusiastic about socialism, and that many members of the industrial working class support parties of the "centre" and the "right." It has turned out that the "ideology" of the left is no guarantee against nationalism and imperialism, that socialist regimes intrude into the affairs of other countries, even militarily, and seek to bring and keep these other countries under their dominion. Anti-semitism and xenophobia have not disappeared from communist societies. Social and economic stratification has been demonstrated to exist in communist societies. The higher levels of the bureaucracies of party and state, and those intellectuals who support them, enjoy many perquisites of office, such as more spacious accommodation, better food, servants, cars, and greater freedom and resources to travel abroad. They also receive larger salaries. Persons who do manual and menial work in communist countries are treated as inferiors. Sexual freedom has turned out to be more restricted in communist societies than was anticipated.

The "workers of hand and brain"—the mass of factory workers and office workers—were supposed to have been the first beneficiaries

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of socialism. It was thought that political decisions, insofar as they would still be necessary—with the abolition of private property in the means of production the state would no longer be necessary for the protection of that property—would be in the hands of the workers. Yet it has turned out that these classes have no effective choice or voice in the determination of the policies of the state which has turned out to be far more powerful and pervasive than it has ever been in bourgeois societies.

Socialism and, of course, communism were also said to have the capacity to make human beings morally better. They would not inherit a tradition of self-seeking; since they would have no incentive for self-seeking, with the abolition of private property and unearned income, they would be able to live without selfishness, which was the most disfiguring of vices and the source of all other vices. Their better nature —benevolent, affectionate, charitable and convivial—would come to the fore in a society which neither praised nor encouraged selfishness and which gave it no opportunities for successful practice. This argument about the moral superiority of socialist society over capitalist society has lost much of its force since the experience of the existing communist societies has not supported it.

THESE facts about communist societies have become well known. For many years, communists and those socialists who were not antagonistic towards the Soviet Union, which until the latter part of the 1940s was the only communist country in the world, used to deny with great vehemence any of these facts. The absence of freedom of speech, of publication, and of artistic expression, the absence of ordinary legal institutional safeguards against arbitrary imprisonment, the inefficiency of the economy and the poverty maintained by low productivity were all denied. The absence of freedom of speech, publication, and association, where its existence was acknowledged, was justified as a temporary measure called for by the necessity of protecting the society from the conspiracies and agitation of the surviving elements of the old regime and by the dupes of foreign powers. The absence of legal safeguards against arbitrary arrest was denied and those who pointed to it were denounced as witting or unwitting agents of foreign capitalist powers who wished to discredit the Soviet Union, socialism, communist parties, and progressive ideas generally. The Moscow trials of the 1930s were, of course, acknowledged since the Soviet Union itself gave great publicity to them; yet most of the supporters of the Soviet Union, a large proportion of whom were so-called "progressive intellectuals," insisted that they were entirely just and necessary and that there was no arbitrariness in procedure, no falsity in the evidence brought forward and no injustice in the verdicts.

The economic and moral superiority of the Soviet Union was pas-

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sionately asserted by "progressive intellectuals" while millions of persons starved or fell victim to ailments which were exacerbated by malnutrition. Happiness, freedom from care and anxiety and good fellowship were repeatedly reported by foreign sympathizers, at a time when in fact millions of persons were being arrested, imprisoned without charge or trial and their relatives were left to worry about them without being able to come to their aid or defence, or even know what had become of them.

This extraordinary hoax found many eager believers. There were, in the first instance, members of communist parties and those who sympathized with the Party; many of these were sympathizers because they believed that the Soviet Union, and the kind of socialism which it represented, were the only hope for humanity. Then there were the numerous socialists who, despite their distrust of the communist parties of their own countries—a distrust which was by no means universal among socialists—thought of the Soviet Union as a great step forward for mankind. There were also many collectivist liberals, who might have been socialists if there had been a large socialist party in their own country—I am thinking particularly of the United States—who saw the Soviet Union as the realization of the ideals of the progressives of the 1920s: an economy free from the ups-and-downs of business cycles, without the human victims of profit-oriented industry, without the improper influence of the wealthy on political institutions, with a high degree of equality in the distribution of wealth, income, power and status, with the freedom of the working man from capitalist oppression, the elimination of bankers from positions of power over economic life, the protection of the individual from the ravages of ill-health and the high risk of unemployment, with the care of the weak—women, children and elderly persons—and, finally, with no desire to add to its territory at the expense of its neighbours, to exercise influence over their affairs, or incorporate them into itself.

THE truth on these matters was long known in the West. Apart from conservative, liberal and socialist critics of Bolshevisks there were early defectors from the communist cause, such as Boris Souvarine, M. N. Roy, Anton Ciliga, Panaït Istrati, Victor Kravchenko, Frieda Utley, et al., who bore witness to the real situation in the Soviet Union. By the second half of the 1930s, the number of these witnesses was very large and the documentation which they provided in books and articles was widely available in Western countries. The untenability of the assertions made by the prosecutors in the Moscow trials was apparent to anyone with common sense, a knowledge of the history of the revolutionary movement in Europe, and some understanding of the unscrupulousness of the Bolsheviks and their affiliates. The fictitiousness of the claims on behalf of Soviet accomplishments was perfectly obvious.

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There were also many Mensheviks in Western Europe and the United States who had lived under the Soviet regime in its first decade and who had been lucky enough to escape with their lives. They too bore reliable witness to the real situation in the communist society. Here and there, too, were perspicacious liberals, like Bertrand Russell, and scholarly conservative journalists, like Waldemar Gurian, who saw the kind of society which had in fact been emerging in the Soviet Union. The realistic critics of the Soviet Union were, as a matter of fact, fairly numerous and their writings were readily available.

Then there were also the conservative newspapers, dominated by conservative publishers and edited by conservative editors, who were opposed to communism and to the Soviet Union. They had few persons of leftist sympathies on their staffs during the 1920s and although the situation began to change in the 1930s, these leftist journalists kept their inclinations hidden from their superiors. The *New York Times* was, at that time, probably the only major newspaper in the world which maintained a correspondent in the Soviet Union who was gullible enough or devious enough to accept literally the official Soviet accounts and explanations of all that happened there. Most of the superior and popular newspapers in those decades were very critical of the Soviet Union.

Thus the left—communists, socialists and collectivist liberals—had many opportunities to find out what was actually happening in the great "socialist experiment" but they steadfastly refused the evidence which was close at hand. It took a number of startling experiences beginning with the pact between Nazi Germany and the Soviet Union in 1938, to begin to shake the solidarity of the "left" with the Soviet Union in Western countries. The disillusionment engendered by the Molotov-Ribbentrop Pact was, however, largely obliterated by the role of the Soviet Union in the Second World War, once it was invaded by the German army. The decade after the Second World War did little to shake the faith which had been re-established; the suppression of non-communist parties in the "peoples democracies," the "Berlin blockade," the repression by the Soviet armed forces of East German workers demonstrating in East Berlin, did little to weaken the absolute ascendancy of the Soviet Union in the minds of those who believed in the moral and economic superiority of socialism and the necessity for its triumph.

KHRUSHCHEV's speech at the 20th congress of the Communist Party of the Soviet Union in February 1956 was, however, a major blow to the dominance of the Soviet Union in the pantheon of the devotees of socialism. Soviet military action against the Hungarian communist reformers in October and November of the same year had a weakening effect on their attachment to the Soviet Union. This

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was the origin of the "New Left"—a "left" which had no constitutional commitment to the Soviet Union and which had even originated from disapproval of Soviet actions and in disagreement with the efforts of communist parties to justify these actions.

Ever since that time, the Soviet persecution of dissidents has become generally known and disapproved of. The harassment, arrest and imprisonment of writers like Daniel and Sinyavsky, the exile of Solzhenitsyn, the internal exile of Sakharov, the imprisonment of numerous writers, scientists and scholars who have insisted that the Soviet government adhere to its own constitution and to the Helsinki agreement which it endorsed and to which it has committed itself, and most recently the Soviet invasion of Afghanistan and its exertion of pressure leading to the communist military dictatorship in Poland —all these occurrences, so obviously contrary to the ideal of a socialist society have led to partial and intermittent disavowals and denunciations of the Soviet Union by persons who designate themselves as being of the "left," and by various communist parties. Even the European communist parties have criticized Soviet policy, although for some years now the French communist party has returned to its former position of supporting all that is done by and in the Soviet Union.

Despite these pockets of unqualified attachment to the Soviet Union, there can be no doubt that the Soviet Union has lost its pride of place in the affections of persons who would be called "leftists" or "progressives." It is not uncommon nowadays for radical intellectual publications like *The New York Review of Books* to review favourably books which criticize the Soviet Union and even to invite persons who are anti-socialist as well as anti-communist to review such books. The various Trotskyist sects have long been critical of the bureaucratic regime of the Soviet Union and the manipulations of the communist parties subservient to it. There is practically no leftist sect which does not criticize the Soviet Union for one thing or another. The free-floating collectivist liberals are also critical of the cultural repression in the Soviet Union; quondam fellow-travellers like I. F. Stone, so greatly admired by liberals in recent decades, at present proves his *bona fides* by occasional criticism of the illiberal actions of the Soviet Union in its treatment of intellectuals.

IT is now commonly observed that the Soviet Union has ceased to command support and loyalty in the West beyond the boundaries of the communist parties, and even within these there is discontent and uncertainty. From this, two conclusions have been drawn. One is that the disrepute of the Soviet Union has produced a sceptical view about the claims that socialism is the best organization of human society. The belief in socialism, according to this view, has become attenuated, and in this attenuation, disenchantment with the Soviet

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Union has been of primary importance. The second conclusion is that there has been a "rightward" turn of opinion, to some extent a result of this disenchantment with the Soviet Union, and to a much greater extent a result of dissatisfaction with the failures of the omni-provident, omni-competent, omniscient state promoted by social-democratic and progressivist liberal governments since the Second World War.

There is something in each of these views. The official bearers of socialist beliefs in countries where there are major socialist parties inside or outside governments, such as Great Britain, the Federal German Republic, Sweden and France are in a state of some embarrassment about their socialism. They are, on the one hand, under criticism from the more radical wings of their respective parties for not being socialist enough; on the other hand, they are troubled by the difficulties generated by their policies. Their embarrassment coincides with, but is not a direct consequence of, the vicissitudes of the reputation of the Soviet Union. It may be true that socialist beliefs in the working and middle classes, and among intellectuals were to some extent engendered and sustained by the high repute of the Soviet Union, but the embarrassment of the leaders of social-democratic parties cannot reasonably be attributed to the damaged reputation of the Soviet Union.

Though social-democratic parties have not disavowed the ideal of socialism as an article of belief, their policies in practice have not been uncompromisingly socialist. Bits of socialism have been realized here and there—i.e. the nationalization of particular industries has been carried out—but thus far no social-democratic government in any Western country has established a socialist society. Their social policies have been more faithful to the spirit of socialism than their economic policies have been to its letter. Some of their measures can be seen as part of a genuinely socialist programme; others, such as comprehensive secondary schools, free university education and grants for all who desire it and have acquired certain prior educational qualifications, national health services, guarantees against unemployment, etc., belong equally to the programme of collectivist liberalism. In a number of liberal-democratic countries, social-democratic and collectivist-liberal parties and governments have experienced a turn against themselves, both in the electorate and in intellectual circles. Some who were once socialists have turned against socialism, others have become less confident of the correctness or practicability of their socialist beliefs. The same is true of collectivist liberalism. Both social democrats and collectivist liberals are aware that there is much criticism of domestic policies which have been accompanied by large and increasing numbers of unemployed, unceasing inflation, heavy tax burdens, bureaucratic social services and the inability of governments to maintain public order.

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The social-democratic governments and the social-democratic parties, where these two do not coincide, are aware that there has been a shift of voters towards "liberal" and "conservative" parties. There seems to be an incipient return to this tendency even in France and Greece which have previously been exceptions in their elections of socialist governments. Collectivist liberals have also seen their electoral following diminished and an intensified intellectual attack on their main beliefs and policies by persons variously called "neo-liberals," "neo-conservatives," "conservatives" or "reactionaries."

THERE is a connexion between the estrangement of intellectuals from the Soviet Union and the estrangement of many ordinary working- and lower-middle-class voters and intellectuals from social-democratic and collectivist-liberal parties and governments. The estrangement from the Soviet Union is, however, only to a small degree at the bottom of the estrangement from social-democratic and collectivist-liberal parties and policies. The parties and governments which have attempted to carry out the latter policies have scarcely resembled the parties and governments of communist countries. The former have stood in pronounced contrast to the latter on such matters as freedom of speech, artistic expression, press, and association, academic and ecclesiastical freedom, the rule of law, and the other valued arrangements of traditional liberalism. Whatever accusations may be levelled against the leaders of social-democratic and collectivist-liberal parties and governments, it is not said by reasonable persons that they are brutally repressive in their response to those who criticize them, or that they refuse to allow free elections or to accept the verdicts of the electorate. Furthermore, social democrats, both leaders and rank and file, have usually—not always—been critical of the Soviet Union and of the communist party or parties of their respective countries. It has been this way, in varying degrees, in most free countries ever since the formation of the Communist International. The distrust shown by social democrats and collectivist liberals towards the Soviet Union and communists has been more than reciprocated by them; acrimonious abuse, obstruction and subversion have always been the modes of action of the communists, except on those occasions when it has been thought profitable to espouse a "popular front" as a means of arrogating the following and exploiting the prestige of the social democrats or collectivist liberals.

The differences between these two currents of opinion, and the divergences between their practices having been so great in the past, why should their fortunes have been so similarly affected in recent years? The answer is very simple. They are both exponents of the social ownership of the means of production; they are both antipathetic towards the private ownership of the means of production. The turning which has occurred might portend a further turning, although its present

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magnitude should not be overestimated. But, however great or small the turning, what is at stake is the social ownership of the means of production.

THERE is an inescapable affinity between socialists and communists. Critics who are external to both of these groups are aware of such an affinity and their members also have some sense of that affinity, much as they disapprove of each other's actions and however vehemently each censures the other. Many socialists feel sufficient affinity with the Soviet Union and with communists to be embarrassed by what they do; they regret the misdeeds of communists as one regrets a misdeed by a member of one's own family or institution. The relations between many social democrats and collectivist liberals on the one hand, and communists on the other, are like the relations of two religious sects which have become separated from one another. Each is embittered by what it regards as the other's betrayal of the ideal which both invoke.

The proponents of the principles of socialism are seeing, in increasing numbers, that the failures of the Soviet Union are not to be accounted for only by the traditional brutality of Russian life, or by Slavic slovenliness, or by the exigencies of building a socialist society in an economically backward country, or justified by the danger of attack by imperialist powers. They are beginning to understand that there is something wrong with a centrally managed economy, with an allegedly unified economic plan. In fact most experienced and responsible social-democratic politicians know that a central plan which embraces the entire economy of a society is not realizable. They are aware of the difficulties, to which they have fallen prey in the conduct of a mixed economy of nationalized enterprises and closely regulated private enterprises. Having taken the responsibility for full employment, they are aware of the difficulties of attaining it. Having avowed their determination to foster the growth of their economies, they are acutely aware of how hard that has been to achieve.

Some of their followers think that present failures are a result of being insufficiently comprehensive in their efforts to deal with their economies. But these more radical socialists may also have some inkling that it will not work.

It is not for nothing that so much emphasis has recently been placed by the *soi-disant* revolutionaries on techniques of disruption—not of revolution but of disruption: kidnapping, assassination, bombings and random murders. Their radical academic fellow-travellers may speculate about the ultimate good society in which there will be "perfect communication free of distortion by authority," but a serious analysis of the specifically "socialist" structure of such a society and of the functioning of "the social ownership of the means of production" is avoided. There is good reason for this avoidance. "The social

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ownership of the means of production" would be shown to be a phantasmic transfiguration of oligarchy. Yet, the rationale of the anti-capitalist intellectual and social movements was always that socialism offered the realizable ideal of a better society which would possess the virtues, such as security in material well-being, complete political and intellectual freedom and genuine justice, which capitalist society did not provide, while retaining all the achievements of capitalism, such as the efficient organization of industrial enterprises and the high productivity of agriculture. Historical experience clearly denies the belief that all this would be made practicable by "the social ownership of the means of production."

MARXIAN socialists were always shy of elaborating the lineaments of the socialist society of the future. They did not wish to appear to be utopian but they also did not wish to face the hard task of describing how that society would in fact operate. One thing, however, they did not leave in doubt, because it was absolutely crucial to the idea of socialism: this was the public, or social, ownership of the means of production; whatever else socialism was or was not thought to be, it certainly included the social ownership of the means of production.

The social ownership of the means of production is thus the touchstone of socialism. This is where the socialist order of society uncompromisingly parts company with the capitalist order of society. This, for the left, is like the divinity of Jesus Christ for a believing Christian or the caste system for a devout Brahmin. If one believes in the rightfulness of the "social ownership of the means of production" one is a socialist. If one does not affirm the rightness of that arrangement then one is not a socialist. A socialist society may or may not be egalitarian, but it must be a regime of the social ownership of the means of production; in so far as socialism is egalitarian, it is thought that it can be so by virtue of the social ownership of the means of production. Equality might be thought to be a good in itself but, for a socialist, it is not as important a good, it is not as "good" a good, as the "social ownership of the means of production." "Full employment" and "social security from cradle to grave" are valuable: they would follow automatically from the "social ownership of the means of production." The same is held to be true for all the other occasionally mentioned merits of socialist society; they all hinge on the "social ownership of the means of production." This is the decisive criterion of socialism, all else is secondary. That is why "reformism" and "revisionism" were always spoken of with contempt by arrogant Marxists at the peak of their pride. It was not just the characteristic harshness of Marxists towards their rivals; it was rather contempt for those who elevated derivative and secondary things to a position of primacy.

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NOWADAYS, the efficacy of this sacred arrangement, which is as close to dogma as a churchless belief can be, has been cast into doubt. It has turned out to be less productive than the market economy based on the private ownership of the means of production. The productivity of capitalist economies in the period after the Second World War, and their achievements of many of the objectives in welfare and education which socialists had thought would be their monopoly, have disconcerted some socialists and their self-confidence has also been shaken by the violence and intolerance of ruling parties in societies based on the "social ownership of the means of production," where individual liberties have turned out to be almost entirely extinguished. It is true that the latter concern is of liberal provenance. Yet, the "left" did acquire some of the beliefs of liberalism and, insofar as it did so, the suppression of the freedom of expression and action of individuals in societies which are socialist, according to this fundamental criterion, raises doubts about the efficacy of the socialist form of property in bringing about the benefits which had been expected. The questions raised, however, are about the efficacy of social ownership, not about its sanctity. In the socialist outlook, the social ownership of the means of production is a sacred object. It is an intrinsic and ultimate good.

COLLECTIVIST liberalism is a compromise with the socialist ideal. It is reconciled to the existence of private ownership of the means of production but it has no confidence in it. It believes that the state should limit private property and strictly regulate the actions of those who own or manage it. It believes in the efficacy of the state as a counterweight to private ownership of the means of production. The state, according to this view, is the organ, or agent, of society; it has no intrinsic or ultimate value of its own. That is the liberal element in collectivist liberalism; it is the collectivist element which extends the authority and powers of the state on behalf of society. It is for this reason that so many collectivist liberals view socialism with sympathy. For them, collectivist liberalism is a second best, for which they are willing to settle because socialism, the preferred choice, is not attainable in their societies. (Their situation is like that of the socialists who have had to make their peace with private ownership in a "mixed economy." That, for them is a second best; their first choice seems to be politically unachievable in a liberal-democratic society.)

Collectivist liberals, like socialists, have suffered some diminution of confidence in their policies and in their ideals. Some of them have become liberals in the more traditional sense and are called by their former friends and present enemies "neo-conservatives" or the "new right." Like disillusioned socialists and communists, they have joined the movement which creates the impression that the tide has turned against the "left."

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THERE has, indeed, been such a turn but the movement is still neither very deep nor broad. Yet it is spectacular and novel that intellectuals in Western societies should have turned against socialism and not just against the Soviet Union, and that some have even turned against collectivist liberalism. In the new generation of intellectuals there are even some who are conservatives in the old sense of the term, not simply traditional liberals who have freed themselves from the collectivist incrustation which has formed around liberalism in Western countries.

Nevertheless, the profound attachment to the idea of the social ownership of the means of production continues, despite numerous defections and despite reservations and uncertainties on the part of some of the vast numbers of its proponents.

THE belief in the moral superiority of the social ownership of the means of production is certainly not a scientific belief. It has been espoused for centuries by individual philosophers without any evidence whatsoever of its efficacy in achieving the desirable consequences which were imputed to it. Nevertheless, the idea has taken hold of the human mind.

In the nineteenth century it formed the basis of a political movement which became one of the major determinants of modern history. Underlying its premises are certain powerful emotions and intellectual dispositions.

The factors involved in the control of the means of production affect human life too vitally to be subjected to the degrading conditions of being bought and sold by individuals in the market for profit. Society as agent and society as beneficiary are thought of as partaking in the realm of the sacred. Society is a redeemer. The means of production are redeemed when they are "owned" by society and used by society. The lives of human beings are redeemed by being placed in the care of society.

THE similarities of socialist and revolutionary movements with religious sectarian movements have often been noticed; zealotry, the demand for orthodoxy, the frequency of fisiparous heterodoxy and, an apocalyptic conception of history are among these similarities.

Although socialism has taken much from liberalism—it has taken secularism, hedonism, progressivism, rationalism—it had one genuinely distinctive article of faith which it did not take from liberalism. Whereas liberalism saw the individual as the locus of the sacred, socialism saw society in that capacity. It may seem anomalous to introduce the language of sacredness, of the charismatic, into a discussion of socialism and capitalism. That would appear to fly in the face of the secularism and rationalism which both socialism and capitalism have claimed for themselves.

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Socialists have been as rationalistic as liberals and they would not have dreamed of regarding the social ownership of the means of production as an institution with something sacred about it.

The sanctity attributed to society and to the social ownership of the means of production has drawn on the capacity for faith of a large part of the active and educated part of the human race. The propaganda of socialist intellectuals has touched an already vibrating chord. This fundamental sense of the sacrality of society has been laid over with numerous rationalistic arguments about productivity, welfare, international peace and equality, but they are only appurtenances. It is probably true that some, even many, socialists have adhered to the "cause," the unmoved mover of the social ownership of the means of production, because it was associated with the appurtenances rather than because they were drawn to it in its own right. Some socialists must have found their way to socialism out of a hatred for the sacrilege of individualism, out of an abhorrence for the sacrilege of private profit.

There is an obduracy in the attachment to sacred things, especially in a society in which a large proportion of the population believes that it is highly secularized. August Bebel once referred to anti-semitism as the socialism fools. We might adapt this statement to our own present argument by saying that socialism is the superstition of the secular.

That is the reason why the Soviet Union, with all the censure which it has received in recent years from socialists and collectivist liberals, is still given the benefit of the doubt in any contention with liberal-democratic societies. That is the reason why the Soviet Union, however much it infringes on the liberal ideals of many socialists and collectivist liberals, and however unproductive its economy may be, remains on the side of good against evil. The Soviet Union may be, as Trotskyists and other anti-Stalinists maintain, "a bureaucratically degenerate workers' state but it is a workers' state nonetheless." A "workers' state" is one in which there is social ownership of the means of production and that is what really counts in the end.

This is why in discussions about matters which have little to do with the ownership of the means of production, the progressives' balance of judgment tends to be placed on the side of the Soviet Union. Whether it be a matter of Salt I or II, or of Soviet manipulation in the establishment of the communist military dictatorship in Poland in succession to the increasingly ineffectual communist party dictatorship, praise, extenuation or exculpation of Soviet conduct is still frequently given.

THE idea of the social ownership of the means of production is a kind of "sociolatry." Rousseau and Comte were its modern prophets. Feuerbach reversed the relation between God and man in

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his philosophical anthropology. Marx has taken from him the view of religion as social projection. Durkheim thought that religious worship was in fact the worship of society. He was of the view that society was the sacred object and that the fundamental categories of thought were transpositions of the differentiations in the structure of society. One need not go so far in the interpretation of socialist ideology, nor attempt to derive as much from it as did Durkheim. Basically it entails the belief that society as a whole is capable of action, that the action of the whole of society is better in all ways than the action of any of its parts, and that some individuals or groups can act authentically on behalf of the whole society.

This belief made great headway on the European continent in the nineteenth century. In the English-speaking countries it did less well against the dominant individualist outlook. But in those countries too it gained adherents to the specifically British kind of socialism, and to collectivist liberalism in the United States. In the educated classes in the United States it did much better than in the working and middle classes, particularly from the 1930s onward.

IN all advanced countries, the arguments for socialism stress the injurious effects of private ownership of the means of production, intimating that they would not occur in a society with social ownership of the means of production. But there is singularly little interest in the question of the workings of social ownership, its mechanism of production of commodities, its distribution of remunerations, and last, but not least, of who is to make the relevant decisions and how these will be made.

It is interesting to speculate why, in the vast body of literature dealing with the future of socialism, so little attention was given to the way in which the social ownership of the means of production would work. Marx's few cryptic remarks on the subject, and his reply that he did not concern himself with the recipes of the cookshops of the future, contrast very pronouncedly with the large amount of studious attention given to the analysis of the capitalist system. This negligence in Marx's own works was reproduced in the vast Marxian literature which came after him.

Of course, it has been difficult within communist countries to study realistically the workings of the economic system of the social ownership of the means of production. Not many proponents of that system outside communist countries have done so either. Fictional accounts have been written but the realistic accounts are usually written by critics of the system.

There has now been enough experience of socialism and communism for many people to know that social ownership of the means of production is a fictitious entity, while oligarchical control is the reality which stands behind it.

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The illusory nature of social ownership of the means of production does not dissuade most of its adherents from continuing to espouse it; the attachment to the ideal of "social ownership" has remained very strong. Its adherents have been very pertinacious, not least in the educated classes, which have increased in size and influence on public opinion internationally and throughout their respective societies.

AN extraordinary animosity against the "private ownership of the means of production" grew in intensity in the nineteenth and early twentieth centuries and helped to support the unquestioned principle of social ownership. Much criticism was levelled at the regime of private ownership and by no means all the charges were wrong. It was accused of not providing material well-being for all members of society, which was certainly true, even though it was provided at a higher level for a larger proportion of the population than previously. It was, above all, pointed out that the recurrent "crises" of the economy resulted in hardships of great severity and in the dismissal from paid employment of many persons. It did not provide sympathetically for the aged, for orphans or for widows left to care for young children. In most societies in which industrial capitalism prevailed, its proponents were complacent about its accomplishments, refusing to pay attention to the injuries which it fostered. The response to this was to deny the accomplishments by emphasizing the injuries. So many deficiencies were laid at the door of the system of private ownership of the means of production that social ownership gained support simply by appearing, unexamined, to be exactly the opposite of private ownership. The system of private ownership resulted, it was said, in spiritual deformities; *ipso facto* the system of social ownership promoted spiritual development. Aesthetic accomplishments under conditions of private ownership were disparaged; they would therefore be esteemed and encouraged under social ownership. Bad manners and vulgarity, the indifference to fine distinctions were the consequences of the preoccupation, inherent in private ownership, with profitability.

The entire category of private businessmen has acquired a bad name which seems to be almost ineradicable. Large numbers of intellectuals are employed, often very lucratively, in enterprises which are conducted for privately appropriated profit, but this does not favourably influence their attitudes.

The private ownership of the means of production is conceived as an institutional machine for the creation of misery and degradation. Almost all the miseries of human life are blamed on it. Some of these accusations have foundation in historical fact; many do not. But such is the bad reputation of private ownership that even many of its beneficiaries and agents accept this view. It has been expounded for more than a century and has entered into the *Weltanschauung* of some sections of the intellectual class in which it was previously little espoused.

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SOME changes have certainly been occurring in these attitudes. Is this trend likely to continue so that there is a major change in store during the rest of the century?

Josef Schumpeter did not think so. He said that although the economic regime of private ownership was clearly superior in productivity to the socialist or communist organization of economic life, the intellectuals had given such a bad name to capitalism that its future was very problematical. Insofar as the rationale of the intellectuals' negative judgment lies in a belief in the sanctity of the order of social ownership of the means of production, the prospect of a large and enduring change does not appear to be very likely. Belief in sacred things does not yield readily to rational and empirical arguments. Much of the explanation for attachment to objects thought to be sacred lies beyond the boundaries of rational argument. Absolute values, i.e. objects valued absolutely and irreducibly, are not assessed in the light of their consequences. So it seems, at least in principle.

Nevertheless, values held as absolute have been known to change. The belief in the value of the salvation of the individual's immortal soul has certainly changed in Western countries in modern times. The process of secularization has been a change of long duration, and has been practically universal in scope. In its simplest and most conventionally understood form, secularization entails the replacement of attributions of sanctity to objects and properties, etc., by the empirical observation of those objects and properties, or the denial altogether that the ostensibly sacred objects and properties have any empirically discernible existence. In the course of secularization, affirmation of the sanctity of particular actions, institutions, objects and symbolic configurations has become attenuated, and in some cases so changed that it seems to have disappeared. In some instances, the particular substance of sacrality has been replaced by another substantive content; this is not part of the process of secularization; it belongs, rather, to conversion. But there has also been secularization in the form of attenuation.

IT is not unreasonable to think that attachment to the social ownership of the means of production could become attenuated, in the sense that less effect is attached to it. It might yield some of its centrality to other sacred values; the support which it has received from allegedly empirical and scientific assertions regarding its greater productivity over the productivity of other modes of ownership, and the greater material well-being and greater individual freedom which it confers, will be obliterated or at least greatly weakened, by contrary empirical evidence.

The attribution of sanctity to the social ownership of production has always co-existed, even in societies and among individuals in which it was strongest, with other absolute values, such as the value of

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individual material well-being. The empirical evidence that these absolute values are not sustained by the social ownership of the means of production can have a weakening effect. The enhanced awareness of this incompatibility has indeed been one of the causes of the recent " crisis of the left."

It is entirely possible that confidence in the social ownership of the means of production will fade. The spurious association of oligarchic rule, which wraps itself in the cloak of social ownership with many unnecessary deprivations, may cause some withdrawal of support. That is quite possible. This does not mean that there will be a large-scale conversion to a belief in the sacredness of private ownership. The turn against the " left " in the past decade is by no means tantamount to a significant increase in support for private ownership of the means of production. It is difficult to find a treatise written in recent years containing a philosophical justification for private property. Much is being said in criticism of social ownership of the means of production. But this is not matched by a similar increase in vigour and volume of argument in favour of private property.

IT is possible that " sociolatry " is dissipating among intellectuals. But this would not necessarily bring with it a reaffirmation of faith in the private ownership of the means of production and of the active individualism associated with it. The social ownership of the means of production may cease to be vested with sacrality. It may well become a matter of indifference for Western intellectuals.

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Anatomy of a Spectre

Alain Besançon

THE Soviet economy is the subject of a considerable volume of scholarly work which occupies numerous study centres in Europe and the United States and which provides material for a vast literature and various academic journals. But those born in the Soviet Union, or those who approach Soviet society through history, literature, travel or through listening to what the *émigrés* have to say, find that they cannot recognize what the economists describe. There seems to be an unbridgeable gap between this system, conceived through measurements and figures, and the other system, without measurements or figures, which they have come to know through intuition and their own actual experience. It is an astonishing feature of the world of Soviet affairs that a certain kind of economic approach to Soviet reality, no matter how well-informed, honest and sophisticated, is met with such absolute scepticism and total disbelief by those who have a different approach that they do not even want to offer any criticism—it being impossible to know where to begin. Then they stop reading altogether. And here they find themselves at one with the Soviet dissidents, who greet all official figures, including those reached by Western economists, with a mere laugh and shrug.

These attitudes are not new. In fact nothing, other than the phenomenon itself, is less subject to change than the prevalent opinions about the Soviet phenomenon. Let us look at the period before the war. Between 1917 and 1929, Western opinion was little interested in the Soviet economy. Apart from its near total destruction and its precarious material reconstruction, there was little to say about it. Then, with the world crisis on the one hand, and news about collectivization and the first five-year plan on the other, the Soviet economy became an intellectual issue of prime importance. I am not talking of the faithful attitude of Western communists and fellow-travellers. From an intellectual point of view, the reaction of scholarly opinion among non-communists or even anti-communists, was more interesting. The first impulse was to trust the figures supplied by the Soviet government. Based on these figures, assumptions were made about the comparative advantages of a planned economy and a market economy, and the question was raised whether some of the methods used by the Soviet system could not be injected into Western economies. In this period of massive unemployment and recession, would it not be possible to draw inspiration from the Soviet mastery of the economy at a time when control of it was slipping away in the West? After the war, it was again in the name of the Soviet example that Western states, France in particular, proceeded with nationalization, the creation of a sophisticated statistical apparatus, and finally with a

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system of management and control graced with the fine name of "the plan." Non-communist economists, whose views on what should be done at home were frequently the most perceptive, did not feel the need to examine critically the data from the East, but accepted them as so many arguments to persuade their respective governments to adopt a more appropriate economic policy. It was because Alfred Sauvy was entirely conditioned by the West, that he accepted the proposition that the Soviet standard of living would soon overtake ours and that the Iron Curtain would operate in reverse by preventing our workers from becoming envious of the prosperity of their Russian comrades.[1]

Not everyone went this far. Those who were better acquainted with the history and economic past of the Russian empire, did not accept the picture of a *tabula rasa* on which the new regime was supposed to have inaugurated its "development." Because they knew the country, they did not accept the official economic picture without demur. They therefore started to sift the facts, criticize them and weigh the statistics. They reached a less impressive picture, although along similar lines. Instead of catching up with the West in the immediate future, the Soviet Union could be expected to catch up in a more distant future. Instead of universal harmony, certain disparities here and there had to be admitted; light industry was trailing behind, agriculture was heavily handicapped. Perhaps there was not a 12 per cent growth rate; 8 per cent or even 4 per cent was more likely. In effect, these economists were saying that the international situation, the burden of armaments, Stalin's mistakes, the rigidity of the structures, the incompetence of planners, all weighed heavily, prevented rational management, and somehow impeded development. But the rigidities were not such that they could not be corrected. Recent measures taken showed that the Soviet government had finally decided to pay serious attention to agriculture, neglected for so long. In Novosibirsk, teams of mathematicians, equipped with computers, were putting the final touches to econometric models no less sophisticated than those produced by INSEE. The Liberman reforms would bring more flexibility, more liberalization.

These positions were so reasonable and so well-informed! How was it possible to remain sceptical unless from obscurantism or indefensible negativism? There have always been those, however, who would maintain that the Soviet lie was so great that all these figures made no sense at all, that planning, the *kolkhoz* and the *khozraschet*, were quite deceptive and that the great "achievements" were something of a mockery. But these people were generally no economists. Moreover, as the USSR had made such a notable contribution during the war, as it had launched the "sputnik," this "dissident" opinion was disqualified.

[1] *Le Monde*, 30 Oct. 1952.

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I remember a conversation I had in Moscow with an elderly woman in 1961. " Yes," I was telling her, " this regime is dreadful, but at the present growth rate, modernization will finally come. In 10 or 20 years' time, material conditions will have changed so much, that political life will also inevitably change." She looked at me and remained silent. With my senseless opinions, I had just aligned myself with those irredeemable idiots whom it is pointless to try to put right. Just to imagine that in 1981 the shops of Moscow would be stocked, that there would no longer be any queuing, that the population would enjoy a range of goods and services comparable with those enjoyed in Europe in 1961, struck her as totally inconceivable and proof of an unpardonable loss of wits. This woman knew nothing about economics. She found her evidence elsewhere. And. of course, she was right.

LET us take three commonplace statements:

1. " The USSR, with an annual production of 145 million tonnes of steel, is the leading steel power in the world."

Everyone knows that the Soviet Union does not produce more cars than Spain; that the supply of household utensils in steel is not comparable with ours; that the railway system is scarcely longer than India's; that the road system is far less developed than in France; that the manufacture of tanks, no matter how exorbitant, cannot absorb more than one or two million tonnes of steel. What then does this figure of 145 million tonnes of steel, equivalent to the joint output of Japan and Germany, which together manufacture 12 million cars (not to mention other goods), signify? It has to be assumed that included in this figure of 145 million tonnes are: (i) the production of actual steel; (ii) the production of inferior steels; (iii) the production of reject steels; (iv) the production of steel for rust; (v) the production of pseudo-steel and (vi) the pseudo-production of steel. A specialist in the Soviet economy would surely be able to spread the figure for steel production through these six categories. The figure of 145 million tonnes will then be justified by taking into account waste, different uses of steel, losses, etc. But nevertheless, the claim to be " leading steel power in the world " has to be taken in a sense other than the usual one, as only what is comparable can be compared. The United States and Japan, the second and third steel powers in the world, whose use of steel is easy to analyse, do not produce a comparable amount of the last five categories of steel, which flows with such extraordinary abandon in the giant Soviet steel works.

2. " Income per inhabitant and the standard of living put the Soviet Union with the developed countries, slightly higher (or slightly lower, according to some) than Spain."

Some authors even base their calculations on the ruble at the official exchange rate, which is an absurdity! Most, however, bear in mind that on the black market, the ruble has one-fifth of its nominal

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value and that its real value cannot be more than one-third. But, they add, some services are almost free, such as housing, medical care, education. They also attempt to estimate the actual standard of living by taking account of the goods which the average Soviet citizen can actually buy with his salary, and then this list can be compared, item for item, with the list of goods a Spanish wage earner is able to buy. But it would seem that this kind of approach, by disregarding the qualitative aspect, renders the quantitative comparisons meaningless. Housing and medical treatment conjure up the image of council estates and out-patients departments in the West. They do not convey the communal flat, the dormitory, the "corner" where millions of Soviet people live, or the block of flats, delapidated as soon as completed, stuck in the middle of waste land, nor the rudimentary medical care, with low-qualified health officials, and a scarcity of drugs. And as for the goods in the Soviet housewife's shopping basket—the Spanish housewife would not pay a penny for them. Rotten apples, frozen potatoes, suspect meat, shrivelled vegetables, these just are not to be found in the markets of Madrid. They are hard enough to find in Moscow, and then you have to queue for them. Who has ever considered the queue in a comparative study of the Soviet standard of living? If you count the number of working hours needed in the USSR to acquire a television set, a pair of shoes or a vacuum cleaner, you must remember that the TV set would be like one bought at a flea market, the shoes would be rejected with scorn by a Moroccan immigrant, and the vacuum cleaner would have to be helped to work by kicking. There is no relation between the sordid Soviet reality and the normal, often joyous and sometimes splendid, Spanish reality. Comparisons should not be made with Spain, Greece, Italy but with India, Bangladesh, Sudan—but even here—Soviet "advisors" never return home, where privileged posts in the Party and in the KGB are waiting for them, without stuffing their cases with tomatoes, biros, hams or blue jeans—they are returning from a land of milk and honey! But we must be careful. A rejection of a comparison with Spain does not imply that a comparison with Bangladesh has any validity. If we go into detail, we will see that it is impossible to compare. It is only by resolutely rejecting a quantitative comparative approach that there is any hope of pinpointing the Soviet phenomenon.

3. "The USSR is the second economic power in the world."

This is an axiom of geography textbooks. It is a cliché repeated by our Heads of State. But the economists who formulated this statement add that this classification only holds true if the ruble is taken at its official value and not at its internal purchasing value. But how is this internal value to be calculated, if most of the products of Soviet industry (except for arms) cannot be delivered to the world market because of their poor quality, except at dumping prices lower than the cost of production? How can you calculate the gross national

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product from products with no definite market value? These same economists tell us that the volume of Soviet trade is the same as that of Belgium, but that its character is inferior as the Soviet Union sells raw materials, gold, arms and buys products with high added value. Considering that the Soviet Union has fewer cars than Brazil; that there are fewer telephones in absolute numbers than there are in Spain; that there are hardly any computers or photocopiers but for the use of the public sector; that a cheque book, a post office giro, a credit card are unknown categories for the population; that research and development have resulted in no important scientific or technological inventions, except in the military or para-military sector; that if by student we mean the same as a student in France, the Soviet Union has fewer students than France or Germany in absolute numbers, can this really be the second economic power in the world? What is meant, probably, is that it is the first military and political power, that it possesses all known minerals and unlimited potential resources, that its territory is immense, its population huge, its "production" considerable; but this does not make it the "second *economic* power of the world."

Subconscious Presuppositions

To these three banal statements which have passed into accepted parlance, I have opposed objections based on the type of common sense acquired by living in close contact with things Soviet. I have no doubt that to an economist they must seem of little value or that he would be able to reply to them with a series of arguments which would leave me technically disarmed, but he would not succeed in convincing me as I believe in sticking to what my senses and my reason tell me. The discussion could be left at this point, were it not for the fact that behind these assertions and behind my immediate refusal to accept them, lie two overall visions which inform them, more or less consciously, and which I would like to bring out into the open—at least as regards my own view.

As regards the other overall view, nowhere is it stated more clearly or more competently than in the two now classical books by Alec Nove, *An Economic History of the U.S.S.R.* and *The Soviet Economic System*.[2] Nove's knowledge of Soviet history is perfectly adequate. He does not ignore the utopian follies of war communism, the catastrophe of collectivization, the frightening crudity of industrialization. He is also aware of the weaknesses of the "system" as such, of the administrative economy, centralization, the wastages of planning, the lack of innovation. His basic assumption is that the Soviet economic design must be placed within another design which embraces it, explains it, and in part justifies it—that of *development*. It is, along with other models, a model of industrialization. History explains why the type of development which had occurred in the West and which was beginning

[2] The most recent editions are Penguin Books, 1978 and George Allen and Unwin, 1977, respectively.

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to unfold in Tsarist Russia was broken off. History—that is to say, the characteristic features of the country, the specific nature of its government, the internal and international situation—also explains the particular features of the Soviet economic model. As such, it can be seen as competitive with the Western model and it is not easy to judge the relative advantages or disadvantages of each. But a comparison is possible as the two models, different in their methods, have the same aim in view—industrialization, or, more generally, development. The point of departure is the same—underdevelopment—and the end result is the same—a developed industrial economy. The Soviet model and the Western model are like two production processes which are technically different but which produce the same finished product, just as artificial rubber can be produced from petrol or carbon and electricity from uranium or plutonium.

Alec Nove knows the Soviet Union too well to reduce Soviet ideology, as he is sometimes tempted to do, to a simple "mobilizing factor, to generate enthusiasm, impose sacrifices and organize the national affort."[3] "Most analyses would agree that this ideology (Marxism-Leninism) is no longer a powerful force in the Soviet Union today, but this does not mean that it has become a mere collection of quotations." The elimination of private trade, for example, can only be understood in relation to ideology. The declared aim of the system is still to "build socialism" but in practice this means justifying the emphasis put on growth.[4] Hence the thesis that "The Soviet *homo economicus* is very similar to his Western counterpart in the sense that, if we were Soviet planners or managers, subject to the same pressures, rules and impulses, we would behave exactly as they do. In other words, I assume that there is usually no need to invoke ideological explanations for 'managerial' types of behaviour."[5]

United therefore by a common aim, the Western system and the Soviet system according to Nove, occupy two intermediate spheres in the same "political economy." In the two systems there is a similar gap between the pure model and its application in the field. In both systems, there are basic flaws, and others which, in theory at least, can be remedied. The Soviet system is reformable. It is possible to optimize it as a function of its development aims. It is as though the basic rationality of the socialist conveyor belt was constantly being disturbed by the impedimenta of the Russian tradition, the urgent demands of politicking, the all too human factor of administrators like Kaganovich or Khrushchev. So that, here as elsewhere, much has been achieved and much has been catastrophic. Who can say that things have been very different in the West?

To sum up, the overall view which supports this type of economic literature contains implicitly the following propositions.

[3] *The Soviet Economic System*, p. 363.
[4] Ibid. p. 19.
[5] Ibid. p. 10.

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The Soviet economy is an economic system which has the same aims as all economic systems: the production of wealth, and also like ours: development. Its methods, different from ours, are rationally ordered to these ends. There remains a gap, sometimes a large one, between the theoretical functioning of the model and its actual functioning. This gap, which introduces an element of irrationality into the system, is explained by the weight of historical tradition and the lapses of the people responsible. It can be reduced, corrected and thus development could be achieved more rapidly and at less cost.

UNDERLYING all description is a theoretical assumption. Nove's description and that of the economic literature which I am familiar with assumes a scheme in which rationality is at the centre (in respect of the ultimate aims, which are common to all economic systems) and irrationality at the periphery (in its practical application, and because of the historical obstacles encountered). With this scheme it is possible to organize the facts in a fairly satisfactory manner, just as in the Ptolemeian system account could be made for all the movements of the planets, as long as a sufficient number of epicycles was added. But the dissidents have their eyes fixed on other facts, or else see the same facts in a different light, so that the epicycles no longer fulfil their function and the scheme thereby loses all credibility. I have just been objecting to three common propositions about the Soviet economy, but I realize that within the framework of the prevailing scheme, other epicycles could be introduced to justify, for example, the figure for Soviet steel production. Viz: Soviet products are on average twice as heavy as the corresponding European products, etc. This dialogue of the deaf can only be broken if the person making the objections makes the effort to put forward another overall theoretical scheme to take account of all the facts more accurately, more logically and above all more economically. A "Copernican" step forward must be made in clarity, simplicity, accuracy and insight.

I would like to sketch out such a scheme. I have no intention of turning into an impromptu economist and will only put forward initial ideas or principles but in such a way that a professional political economist can then use them as a base, expand them, elaborate on them and come up with quantitative measurements. There will be no figures in my sketch. If it is true that economists have been mistaken because they applied the classic categories of their discipline to something which required other categories, those which I would like to put forward are perhaps more suited to their object, even if they are only preliminary, or somewhat primitive. If I could provide, for the Soviet Union, something along the lines of Quesnay's *Tableau*, I would be satisfied. Let Adam Smith come along later.

The Ultimate Ends

We have to start with the aims of the Soviet system of production.

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And to consult the father of this system, Joseph Stalin, who, following in Lenin's tradition, completed the projection of the political system into the sphere traditionally called economic. In his work, *The Economic Problems of Socialism* (1952) Stalin formulated as follows "the fundamental law of socialism": "To ensure the satisfaction of the ever-growing material and cultural needs of the whole of society, by increasing and constantly improving socialist production on the basis of superior technology."

At first sight, this is not a law but simply a guide for action. In a certain sense, it expresses the purpose of all economic systems that have ever existed, in that they all aim at prosperity and desire a certain degree of growth. Only a few words would have to be changed for us to recognize the goals of Trajan, Haroun al Rachid, Kang Hi or Colbert. Stalin's programme had been accepted at face value by Western economists at the very time that he was putting it forward. One day, the actual role played not by Stalin's socialism, but by what it was imagined to be, on the organized development of market economies in the post-war years, will be examined. The perceived need to reply to the "Soviet challenge" reinforced the illusion that the Soviet regime had set itself the same aims as the Western regimes, and was trying to achieve through different means that economic growth which was basically part of one and the same process for the whole world.

In the same work, Stalin formulated "the fundamental law of capitalism": "To ensure the maximum capitalist profit by exploiting, ruining and impoverishing the major part of the population of a given country, especially those of under-developed countries; and finally by waging war and by militarizing the national economy in order to ensure the maximum profit." This comes quite close to the actual practice of Stalinist socialism as we know it. This is why one section of dissident opinion considers this type of socialism as a type of state capitalism, a particularly cruel one because it is without any limitations. But this is a mistaken view. If this socialism were a form of capitalism, no matter how brutal and unbridled, it would contain some rationality and some balancing of means and ends, which characterize most known economic systems including capitalism—if that concept is to have any meaning. There would at least be prices and, somewhere, verifiable accounting. The spirit of greed and gain is just as despicable, just as remorseless under the Soviet regime as any under the most severe regime which social democracy can imagine. The Soviet regime is every bit as plundering and exploitative as the capitalism described by Karl Marx. But to identify it with capitalism is just as false in economics as to identify it with oligarchic bureaucracy in politics. A bureaucracy which is so irrational, an oligarchy which goes so much against the interests of the oligarchy is neither a bureaucracy nor an oligarchy. A capitalism which is so destructive

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of wealth is no capitalism. We have to look elsewhere for explanations. We must return to Stalin and his " fundamental law " because this is the key to the mystery.

Stalin, and in this he is true to Lenin, sees the successive " modes of production " which have replaced each other on this globe, as obeying certain laws. Socialism and capitalism are natural formations which is why they are governed by laws. Lenin's primary task, therefore, and the only one he completed, was to overthrow " capitalism," to clear a space in which socialism could grow and flourish. In fact, he uprooted not only capitalism, but all economy. By abolishing property, commodity exchange, free enterprise, and even for a while money, he rendered even those forms of economic life which in his language he called feudalism, slavery and primitive commune, unimaginable. When, for example, the Russian peasants regressed to a natural economy and tried to take refuge in what remained of the village community, they were deprived of it.

But despite all this, socialism did not appear on this *tabula rasa.* And in order to account for this unexpected fact, Leninist ideology provided an explanation: what was preventing the birth of socialism was that, despite appearances, capitalism still reigned. The " fundamental law " of capitalism was still being surreptitiously applied in the form of pernicious habits or the culpable ill-will of the protagonists of the economy, in other words, the Soviet citizenry as a whole.

AS socialism does not come about on its own by a spontaneous movement of society, it has to be built. Society has to be re-educated in all its dimensions: capitalism affects them all, and so, later, will socialism. Soviet power, destined in principle to dissolve rapidly in the self-organization of society (cf. Lenin's *The State and Revolution*), becomes an essential breakwater, the sole hope for socialism and its *ultima ratio*, as its natural *ratio* is evidently found wanting.

This power has no limits. It is prepared to take control of production, consumption, the adjustment of one to the other, " scrutiny and control " as Lenin used to say. It seems therefore that the economy must be rapidly absorbed into politics, that instead of the political economy of socialism, there is to be only the economic politics of socialism.

But if this is admitted, socialism is no longer a natural formation, the next normal step in the evolution of society. It loses the legality, the legitimacy and the power derived from its key role as society's midwife. This problem was faced by Stalin with his usual clarity and serenity. In his *Economic Problems of Socialism* he made a bitter attack on comrade Yaroshenko, according to whom, the communist regime was only the " rational organization of the forces of production." No political economy like that under the pre-socialist regimes was therefore possible, but only an economic policy whose rationality

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could develop unhampered by the restrictions imposed by all previous regimes. But this is profoundly wrong, objected Stalin, without even condescending to elaborate the relevant arguments. He does come up with two. First, production relations are not necessarily restrictions, as under capitalism, but can also be "positive factors." The proof is: "Nobody can deny the prodigious development of our productive forces." And then "production cannot be organized rationally without taking into account the general state of society." The esteemed comrade Yaroshenko fails to understand that "society must complete its economic and cultural re-education by passing through a series of stages during which work, which was merely a means of gaining one's living, would become in the eyes of society the most essential basic necessity and social property—the unchangeable and intangible basis of the existence of society." In other words, Soviet power, which controls this re-education, accompanies the emergence of the law which is the fruit of this re-education. And as this power is part of socialism, it also obeys this law, adopts it and, finally, proves it. Yaroshenko is wrong. Lenin, in accordance with Engels and, as he believed, Spinoza, thought that freedom is the recognition of necessity. Stalin entrusted to the (security) "organs," the concrete Soviet form of this necessity, to ensure that all those re-educated felt, and loudly expressed, perfect freedom. Under socialism, economic policy and political economy are the same thing and the laws (or directives) of the state are at one with the objective laws of socialism.

A VITALLY important consequence follows from this. When confronted with any economic phenomenon, the Soviet authorities have to ask what law is it obeying: that of capitalism or of socialism? The production of wealth has to be evaluated in a different way, depending on whether it is to be attributed to capitalism, which still survives and is always reviving, or to socialism, which is constantly under threat and over whose growth stands guard the power of the state.

In the NEP years rural Soviet economy, completely ruined by war communism, recovered and nearly regained the level of 1913. But this was not a good growth, as it was chiefly due to a recovery of "capitalist" mechanisms. It was therefore impossible to reach socialist wealth by this road, as the nearer one got, the further away one went, by dint of reinforcing what was most alien to it—capitalism. If we recall the fundamental laws of each of these two modes of production, it was impossible "to ensure the satisfaction of the ever-growing material and cultural needs of the whole of society" while "ruining and impoverishing the major part of the population." It was therefore necessary to proceed with collectivization, which ruined and impoverished the peasants, whether rich, average or poor, all compromised by "capitalism," in order to ensure the possibility of *good* socialist growth. "Without this revolution in production," Stalin

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adds, " the productive forces in our agriculture would vegetate as they vegetate now in the capitalist countries."

Here we are in the full swing of the " dialectic." Bakunin's formula " the spirit of destruction is the same as the spirit of creation " is the metaphysical formula of Bolshevism: to create the space where socialism is going at last to put down roots and flourish, the seeds of an alien wealth emanating from capitalism must be destroyed. This is why most of the economic acts of the Soviet regime aim not only to organize the production of goods—which must result from socialism developing according to its natural laws—but to disorganize this production in so far as these goods derive or are considered to derive from " capitalism."

The aim of collectivization is to ensure the rapid leap in the development of agriculture. But in completely ruining agriculture, it will not be said that it has failed. It has just *prepared the conditions* for such a rapid leap. The same is true of planning. Its function is not simply to organize production, as the word would imply in the West, but simultaneously to disorganize it.

This became apparent from the moment when the first five-year plan was launched. Some of the former members of the SR or Menshevik parties prepared it from the occasional statistics available to them, because they believed in the possibility of giving a certain intelligent and empirical direction to the economy and because they took political economy seriously. But for Stalin and his team the word " plan " covered quite a different type of action. They destroyed commodity exchange, the adjustment of supply and demand and the establishment of prices, which alone could have made this type of planning conceivable. Between Magnitogorsk on the one hand—i.e. heavy industry of a military nature—and the devasted *kolkhoz* on the other, lay a vast uncharted territory, the seat of all sorts of unpredicted (let alone planned) phenomena such as the panic exodus towards the towns, the collapse of salaries, general wastage and looting, famine. The disorganizing effect of planning can be observed in all enterprises. Witnesses from farms and factories testify about managers harassed by impossible or contradictory demands, by obligations to fulfil quotas at all costs without being provided with the basic conditions to make this possible. The nature of the plan is to give unachievable orders, but as these, as we shall see, are then supposed to have been fulfilled, subsequent orders will be even less fulfillable. The plan disorganizes because it allows no choice and fails to provide adequate means for reaching the famous " objectives," which might at a stretch be possible to approach were they not part of the plan.

The Fictional Economy

It is somewhat inadequate to say that collectivization paved the way for " rapid development " and that planning prepared the conditions

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for an " uninterrupted development." These actually took place and the press, day by day, proclaimed the living evidence: fantastic harvests, tractors advancing side by side through the black earth, giant combine harvesters with smiling drivers aboard, cows from Kostroma, lemons from the polar regions. . . . See the giant blast furnaces, learned-looking workers engrossed in the order tables and the dizzily rising curves of all production indices. Stalin wrote: " Nobody can deny the prodigious development of the productive forces of our industry, of our agriculture." Indeed, nobody could deny it. Nobody did deny it.

As the Soviet regime equals socialism, it obviously has to bear the fruits of socialism. As the *fundamental* law exists, it must have its effect. As it is an objective, scientific law, it can be confirmed by measurements, which in economic terms means statistics.

Two factors give Soviet statistics their specific character.

1. They are the statistics of socialism. This means that only the facts of socialism are worthy of being recorded, accounted for and published. As socialism is reputed to exist, unemployment, accidents at work, delinquency, penurious salaries are reputed not to exist. They cannot therefore be analysed statistically. This rule extends far beyond the economic field: plane or train crashes or even natural disasters which hardly involve socialism—floods, earthquakes, epidemics—have no legal existence and, consequently, are considered not to have any real existence. It follows that the statistical yearbooks published by the Soviet Union are quite incomplete, according to our criteria. There are no statistics, for example, for alcoholism, absenteeism or strikes. Those for salaries and pensions are accessible and analysable only in so far as they are compatible with the idea of socialism. All that relates to capitalism is of no interest to Soviet statistics. But every " negative " phenomenon is, in Soviet ideology, attributable to capitalism. Many phenomena which, according to our criteria, would appear as positive (private trade or crafts) are, because of this very fact, considered negative. It follows that a part of Soviet reality must necessarily be hidden for the regime to maintain its legitimacy.

2. Nobody can be neutral when it comes to establishing data. This is a corollary to the previous principle. Under socialism everyone must be responsible for the building of socialism. The situation is different in the West, where production figures have no moral coefficient. Here, data are collected by institutions which have no reason to distort them. Or else, if they are subjected to the influence of specific interests, they are open to criticism from groups with opposing interests. Thus, statistics on the standard of living are the subject of argument and debate between trade unions and management. Data concerning felonious acts such as tax fraud, prostitution, rackets, may be difficult to check. But in the USSR, all quantifiable " negative " facts come into this category. And not only are buying, selling, embezzling and stealing all more or less synonymous, but statistics about

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them are not disclosed. It is for the magistrate and not the sociologist or the economist to assess these activities.

Nobody can be neutral with regard to the statistical figures under socialism, as everyone is expected to build it together. If someone gives a figure, it is because he has to give that particular figure. The person required to check the initial figure already knows, before he starts checking, what figure should be in his report. Each of them is responsible politically. This means, in the Soviet system, that they are criminally responsible. Every figure, at this stage, is therefore the product of a mean between the demands of the authorities and reality, or, more accurately, it expresses the maximum travesty of reality compatible with credibility.

ECONOMIES have always been able to function without statistics or with inaccurate statistics. One could imagine that Soviet statistics, gathered from each enterprise separately, would be incoherent to such a degree that they would be considered null and void: in this case, we would be dealing with a kind of primitive market economy, without any accounts, but nevertheless functioning.

Unfortunately, this cannot be the case as the whole of production is supposed to obey a rational and coherent dynamic, guided by planning and measured by statistics. It is by the introduction of a fictional coherence that the system as a whole loses its strictly "economic" coherence. Initially, enterprises find that they are given a quantifiable objective. They cannot disregard this because of their politico-penal responsibility and because a flow of goods and services is directed towards them which should enable them to fulfil the plan. This flow is insufficient in quantity and inadequate in quality, which means (this is the second phase) some cheating as regards the quantity and quality of the goods produced. Then an account sheet is drawn up, thanks to which the plan is fulfilled on paper (including the overfulfilment of the plan, predicted by the plan itself). In the third phase, on the basis of these falsified achievements, the authorities produce a new plan which is slightly less easy to achieve than the previous one because the data are falsified by one degree more. The natural curve of planning as it extends in time, and as it grows or stretches, is therefore gradually to leave the plane of reality and to form a fictional economy which acquires a kind of autonomy *vis-à-vis* actual production.

It happens that the gap between the fictional economy and the actual economy can become politically dangerous. Then the authorities release a correcting figure. You will remember the shock waves produced—in the West—by Krushchev's speech on the state of agriculture, which revealed that after 40 years of "rapid development" agricultural production was lower than it had been in 1913.

But let us not be taken in: the correcting figure is not a correct figure. It is a political act not an economic one to decide whether the

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Soviet Union is on the point of catching up with and overtaking the United States in relation to milk or butter production or if the herd has fewer head of cattle, less well fed, than under the tsars. Nobody knows, neither Khrushchev nor the Minister of Agriculture, how many head of cattle there actually are in a given herd. The published figures must not be taken at their arithmetical value, but at their political value, announcing for example a " mobilization " in favour of agriculture or of something else, or perhaps the victory of one faction over another in the Politburo.

These political corrections made from time to time have a restraining effect on planning. By this I mean not the planning of production but the planning of production figures. It has to be admitted that for a couple of decades we have no longer heard of overfulfilments by 1,000 per cent which, under Stalin, were commonplace. Growth rates are no longer fixed at double figures (10 to 25 per cent) as in Stalin's time, but in single figures. They therefore appear to resemble Western growth rates. But this should not be seen as a progress in truth, but as a progress in verisimilitude, in credibility. I have sometimes wondered whether the corrections made so painstakingly by Western economists to the Soviet statistical yearbooks, whether the additions so ingeniously deduced to fill in the gaps in their documentation, are not precious reference material for the Soviet planners. Perhaps they use the scholarly work from the London School of Economics to give a coherence and a verisimilitude to the fictional economy, which without this foreign help, it would not have.

Queen Wilhelmina used to say of Napoleon III that he was such a liar that you could not even believe the opposite of what he said. This maxim should serve as the key to Soviet texts, especially those in figures. It is not a question of truth being distorted by exaggeration or understatement. It is not a question of a false reality, entirely made up, as opposed to a true reality. This in fact would imply that the reality is known—which is not at all certain. A Soviet leader does necessarily have more information than his subjects. He has access to confidential documents, to foreign books, sometimes to surveys which, in the impartiality of the objective methods used, aim to neutralize the distortions printed by those responsible for collecting and passing the information on. But, however, this same leader is assumed to live, by thought and word, in the type of reality which presupposes that socialism has been achieved. He has been chosen for his ability to uphold the fiction that the fictional reality is not fictitious and therefore to promote it. He is not supposed to be aware of the other reality. Hence the following paradox: Soviet figures are false, but even if they were accurate, they would be none the less false, because there is no relation, even that of a lie, between them and reality. If there was any correspondence between the 145 million tonnes of steel given in the statistics and 145 million tonnes of steel

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produced, it would be an indefinable coincidence such as the one Spinoza talks of between a dog which barks and the dog constellation.

The Two Principles

Bakunin's phrase—" the spirit of destruction is the same as the spirit of creation "—assumes that the social world is animated by its own biological, conflictual, " dialectic " motion, which propels it from one form to another, from " capitalism " to " socialism." The revolutionary party destroys capitalism, in other words reality, to make way for socialism. The same party once in power continues, because socialism has not arrived, to destroy reality, still perceived as capitalism, as it is an obstacle to the arrival of socialism. Such action is justified because in the eyes of the Soviet government, socialism is dependent on technical conditions which the political power must create. It is this power which guarantees that socialism passes from essence into existence. But if the absence of socialism is not due to technical reasons but to ontological ones, and if socialism does not exist and cannot exist, the building of it entails the destruction of what does exist. Reality, falsely identified with a capitalism which only exists in relation to a non-existent socialism, is therefore subjected to an attack which aims at installing in its place this non-being called socialism. This is why the most energetic and intense periods in the construction of socialism are the most intensely destructive ones: war communism, collectivization, the first five-year plans, the Great Leap Forward in China.

It would therefore seem that the first principle of the building of socialism would gradually lead to the destruction of all goods and all people.

The application of this principle is, however, held indefinitely suspended because of the effect of the second principle: power must not be threatened. These two principles interact as follows: socialism can only be born if the authorities build it. Hence, as long as power is preserved, the possibility remains that socialism will become a reality. The legitimacy of power rests with the vision of a world which contains socialism; only one event could nullify this vision—the loss of power thereby removing from socialism its last chance of realization. As long as power exists it is therefore legitimate: the fact guarantees the right. Where there is power, there also is the seed of socialism.

The principle that capitalism (meaning reality) has to be destroyed is therefore capped by another principle—enough capitalism (meaning reality) must be preserved so that the power is not threatened in its material and political base. The whole economic art of the Soviet government consists in combining these two principles so that the socialist design of destroying capitalism is achieved while the strength

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and vitality of the Party-State on which depends the achievement of this task are preserved. The Party-State must remain strong, united, it must be able to rely on the acceptance, acquiescence or even support of the population. It must have a military force to put it out of reach of external attack and to demonstrate the plausibility of the idea of world revolution. This military force must be based on an adequate logistic and industrial base. Lenin was, and still is, the master of the strictly Bolshevik art of the Soviet economy. It was he who had Trotsky's plans rejected in 1921, plans which would have resulted in the absolute ruin of capitalism, but also in the end of Soviet power. Stalin behaved like a good Leninist when he stopped just in time when facing " dizziness from success " which was dizziness from non-being. Mao, who threw China into the precarious situation it is in today, and Pol Pot, who pushed the building of socialism to the destruction of his party and the loss of power—were both bad Leninists in this respect.

The Compromise

Soviet economic art consists in the search for compromise. These compromises are reached everywhere and at all levels, from the smallest enterprise to COMECON itself. They are unstable compromises, as the building of socialism takes up again as soon as the compromise has exhausted its favourable effects. It is, of course, not a question of compromises with reality and it is only insofar as a compromise can be useful for the subsequent destruction of " capitalism " that it is sought. In other words, compromise is an active policy, not simply passively accepted. It must not be confused with what the official texts call the survivals of capitalism. In fact, the whole of economic reality can seem, during days of intense construction, like " survivals " and it is in order to do away subsequently with these survivals that the compromise is applied. Western observers periodically get tripped up here. Each time the Soviet government decides to draw back from the asymptotic curve towards non-being which is pure socialism, they see this as a return to realism, to a market economy, to " capitalism." But they have to notice shortly afterwards that no matter how profound were the concessions and compromises, an asymptotic gap with a market economy still exists and that it is never closed. This poses a practical problem. When a Soviet type of government makes a wide-ranging economic reform, what criteria should be used to evaluate whether this means that the socialist dream has been abandoned or not? For example, Yugoslavia tolerates a quasi-market economy, foreign investment, emigration, a high rate of unemployment, and all sorts of manifestations of a rampant " capitalism " which in Western Europe would be severely curbed. Is it still one of the socialist economies? I would like to put forward the following criterion: an economy remains socialist, however " capitalist " it might seem in the

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way it actually functions, when the decision to make a compromise and inject principles contrary to the spirit of socialism is taken to preserve power and, consequently, the chance to promote one day, under other circumstances, socialism. However far one goes in the provisional abandonment, it is a communist decision if it is taken in order to safeguard communist power.

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By the Grace of the State

Jean-François Revel

SOCIALISM is based on the abolition of private property in everything concerned with production and exchange, on the "socialization" of economic decision-making, i.e. on giving its monopoly to "representatives" of society as a whole. Anyone can say that "this is good" or that "this is bad," but no one can say that "this is not so," or maintain the absurd belief that an economy which is fully subordinate to the power of the state will nevertheless continue to reap the advantages of private enterprise and respect the laws of the market.

THE swallowing of the economic sphere by the political sphere leads to economic *Zhdanovism*; it involves a failure to recognize the *sui generis* nature of the economic act, and the suppression of its autonomous character. It recalls Zhdanov's refusal to grant to cultural life the right to exist as a sphere of human activity which is specific and autonomous. The withdrawal of the major share of economic power from private decisions, that is, from civil society, leads by a natural chain reaction to the general contraction of the private domain. The accumulation of economic responsibilities by the state, the growing number of controls which it must establish in order to fulfil its task of universal economic agent, force it, even if there is no tyrannical intention at the beginning, to encroach more and more upon civil society. Faced with a political and administrative power which every day increasingly determines everyone's material existence, civil society is imperceptibly stripped of all its means of defence.

Similarly, the state sets itself up as a universal cultural agent, not concerned with the fact that it is thus trampling upon the secret garden which each individual has the right to cultivate for himself, but, on the contrary, persuaded in all good faith that it is setting on the right path a culture which has been led astray since the Paleolithic Age by the imperatives of profit. As for self-management, supposedly there to mitigate the preponderance of the state over civil society by means of "worker's control" in the enterprise, it will in practice translate itself into the increased power of the trade union leaders in the enterprise, that is to say, of the only recognized representatives of the active minority. Knowing, as we do, the ties of the French unions with the two parties presently in power, ties of strict subordination in one case, of affinity and of a close relationship of a more respectable but nonetheless decisive nature in the other case, one cannot escape the fear that "self-management" can only lead to an increase in the power of the leaders of the parties and of the unions over the workers

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at the base. That this partocracy is provisionally two-headed makes it no less burdensome. In the nationalized industries, where the managing director and a third of the administrative board will be nominated directly by the government, a third by the unions, and another third by the " consumers " (their freedom of choice, no doubt, will be dazzling), the counterweights to state omnipotence seem very slender indeed.

The socialization of the economy renders inevitable the increase in volume and weight of political power and of the number and authority of those who exercise it, serve it, maintain it, or gravitate towards it. The reason for this increase is inherent in socialism itself. How could the state take upon itself new, unlimited tasks without simultaneously enlarging its general field of action and without multiplying proportionately the number of its agents? This is not the contingent outcome, which depends on the good- or ill-will of governments and on their subjective predilections; it is the product of a determinism embedded in the very heart of socialism which engenders the *general politicization* of civil society.

EVERYTHING that happens increasingly derives from the operation of power; therefore public opinion itself continuously attributes to it more and more initiative and responsibility for whatever happens. A grocery shop which goes bankrupt, an opera which flops, is put down to a bad political decision. Being thus charged with responsibility for everything, yet wishing to show that there is nothing in these accusations, those in power will extend the field of their political decisions, in spite of their ignorance of the activity in question, being neither grocers nor opera buffs. Being thus more often implicated and criticized in proportion to the role it has assumed—or rather to its many *roles*, since it takes upon itself the performance of all the characters in the play—the state becomes quicker to take offence. Bad criticisms hit the state incarnated as the author, the commentator, and even the public, since it is the state itself which indoctrinates, eggs on and subsidizes the public. Refusal of things to conform to its designs, particularly economic failure which remains its Achilles' heel, is seen by it as the fruit of a diabolical plot. Since everything is determined by political power, economic difficulties are interpreted as blows dealt by malicious opponents of this power, backed up by hostile media commentators who " do not explain sufficiently the actions of the government." In short, the hypertrophied state becomes megalomaniac, and megalomania is the forerunner of paranoia.

In order to conceal its economic failure, this power is induced to politicize everything, to counter-attack not by way of economic activity, but by the intensification of political activity, particularly in its propaganda services, which, by their very nature, are incompatible

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with impartial information. From one backsliding act to the next, a certain temptation emerges which ends up in a moderate form of despotism being established in the name of the public good. It may pass unnoticed as much by those who are committed to it, revelling in moral euphoria, as by those who yield to it in civic resignation. The intolerance of the left is often more implacable than that of the right which only obeys trite considerations of self-interest, whereas the left aims at saving Mankind itself and draws from the sense of its sacred mission a terrifying conviction of its righteousness.

TO save Mankind: such is the lode-star of the socialists. Its point of reference is not economic and social progress, at least not progress set to the gauge of modest empiricism. Much misunderstanding arises from not realizing that socialism is less an economic than a political system, which, in order to implant itself, demands *the sacrifice of the economy*. The paradox lies in the fact that it is a very particular political system which, on its way to the conquest of power, and at the beginning of its term in power, rests in its ostensible purpose on economic and social rhetoric. After a period of " real socialism," it appears that the consolidation and defence of socialism as a political system justify putting economic objectives and popular aspirations to welfare well into the background. Thus, the defence of socialism provides the foundation for constant recourse to authoritarian measures, without which socialism would be exposed to the danger of being swept away by an authoritarian reaction on the right, as was the case in Chile. Allende's mistake lay in failing to understand quickly enough, despite the advice of Castro, that he could not afford to have economic penury and the decline of state power simultaneously, that, on the contrary, economic penury must be seen as being so urgent as to legitimize the reinforcement of the state, a far cry from demonstrating its incompetence.

The extent to which the economic question is secondary in the eyes of the socialists, is indicated by the unbelievable indifference of the left world-wide with regard to the economic failures of socialist countries. In 1980 and 1981 I read many learned dissertations on the lessons to be learnt in the interests of socialism from the Polish revolt, and very few words of compassion for the sufferings of the Poles, tormented by cold and hunger. It was 50 years, for instance, before the chronic and irreparable poverty of the Soviet people ceased to be a taboo subject. While we are still angered by the famines which spread death through the countryside in France three centuries ago, it has taken us 20 years discreetly to put the blame where it belongs, after learning that Mao was capable of producing them in China on a scale which outdid even Stalin. In the Third World, socialist regimes are not judged by the left-wing opinion of rich nations according to the same criteria as are capitalist countries, already semi-industria-

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lized, which have reached the first stages of an economic take-off. The left leaves not a stone unturned in condemning the latter, and has nothing but praise for the former. If one compares two neighbouring countries, both underdeveloped, one in which an agrarian socialist reform—that is the collectivization of the land disguised as alleged "co-operatives," with its empty shops and deserted markets—has taken place, and the other in which there is still traditional agriculture and which, however poor, seems a land of plenty in comparison with its neighbour, one could naively believe oneself justified in drawing some practical conclusions in the interest of these unfortunate nations. Nothing of the sort. Silence reigns over the first case, while the critics keep a severe eye on the second. It is therefore quite all right not to call the first country to account for the manner in which it confronts the needs of the people, since it has carried out the essential task, purely political, which is, I repeat, to establish socialism. This socialism of which one can truly and legitimately say: *Ecce qui tollit peccata mundi*—here is the one which redeems the sins of the Third World!

IT is a mistake to imagine that nationalization is imposed only by the regimes of the "left" and is characteristic exclusively of "left-wing" politics. It takes place in all regimes in which the state wishes to secure for itself the monopoly, or at least complete control, of cultural and economic decision-making, not for the pleasure of concerning itself with culture or the economy, but to achieve its goal of the political organization of society. The fascists are also zealous adherents of nationalization. We know that Franco was the greatest champion of nationalization in the history of Spain, which explains the meagre interest in the subject displayed by the Socialist Party of Spain. The same ambition, to incorporate in the state a major share of economic power, inspired Mussolini and Hitler, contrary to the familiar surrealistic Marxist imaginings, according to which these two dictators were supposed to have been put in power by Big Business.[1] Maurras' "*politique d'abord*" can serve as a maxim here, and not

[1] Serious contemporary historiography has demonstrated here the superstitious nature of certain myths. See "Big Business and Hitler's Rise to Power" by H. A. Turner Jr, in David Schoenbaum, *The Brown Revolution*. Turner writes: "The great majority of German big industrialists were neither seeking Nazi victory (at the elections) nor made a material contribution to securing it." On the other hand, "Hitler received considerable assistance from small and medium-sized businesses" (p. 352 in the French translation by Robert Laffont). One knows now that the sensational book attributed to Thyssen, *I Paid Hitler*, is a fraud, fabricated after Thyssen's death. A refugee in France, the industrialist was delivered to the Nazis in 1940. Concerning fascism, see among others, Piero Melograni, *Gli Industriali e Mussolini* (1972). One learns there how the Italian factory owners defended the workers' commissions elected in opposition to the fascist "corporations" which the authorities wanted to impose in the factories, and how the growing intervention of state authority in the economy was institutionalized under Mussolini by the creation of the Institute for Industrial Reconstruction (IRI), a body designed to regroup national enterprises. It continued to extend its field of activity after 1945, and finds itself in 1982 more and more bankrupt.

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Guizot's "enrich yourself by work and thrift." And it could already have served as a maxim for all the socialisms of antiquity reviewed by Igor Shafarevich in his interesting book, *The Socialist Phenomenon*,[2] in which he shows that socialism is not concerned with an economic programme, but is a manifestation of purely ideological aspirations, which recur in the history of humanity and reveal themselves in an identical pattern in the most varied economic forms.

That generally it has as a precondition the quasi-destruction of the economy is not the outcome of an irrational hostility to welfare, but of the fact that, most often, prosperity must be sacrificed to the exigencies of social reconstruction. Why, and by virtue of what reasoning, have some saviours of the human race got it into their heads that society will not be just until the day when no individual can any longer engage on his own in an economic enterprise, first as producer, then as consumer? I leave to in-depth psychologists the task of enlightening us on this subject, of which Shafarevich, at the end of his book, explores the disturbing imponderables. My only purpose here is to recall (and it must be superfluous to remind the Marxists of this) that the state's monopoly of economic decision-making has political consequences which, alas! hardly engender organic respect for pluralism.

I do not accuse any of the French socialists of personally having a despotic disposition. It goes without saying that I am by no means disputing their democratic title to power. I am merely afraid of a radicalization of the regime as soon as the first serious failures in the economy are felt. Already, for some time now, we have witnessed these disquieting reactions on their part when faced with certain set-backs.

On his return from the funeral of President Sadat, François Mitterand, in conversation with the French journalists who accompanied him, gave this warning: "If I fail there will be a radicalization of power. The opposition is making an historic mistake: it must understand that it has the best possible government, given the present economic and political conditions" (*Le Monde*, 13 October 1981). Clearly, the eventual failure of socialist policy will lead the authorities to correct not this policy, but those who signal its shortcomings. As the socialists would have it, it is always in the best interests of their political opponents to keep quiet: after the radicalization because they will no longer be able to speak; and before, in order not to provoke the radicalization.

How comical it is to see the state leaders evoke, with solemn indignation the "unforeseen events" which impeded or upset their plans, as if the wordly fabric were at their direct disposal! Hence the fatal habit in their profession of attributing to the aggressiveness of their adversaries the ordinary consequences of faults which they them-

[2] Igor Shafarevich, *The Socialist Phenomenon*, translated by William Tjalsma (Harper and Row, New York and London, 1978).

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selves have committed, as well as the unforeseen accidents with which history is so lavish. When something goes wrong it is easier to find scapegoats than causes, culprits than remedies.

ALL this explains why, despite the uncommon scale of its support, the democratic legitimacy of socialist power may not be a sufficient brake to prevent the hardening of the regime. I would even say quite the contrary. Speaking of General de Gaulle, brought into office, surely, by the *coup* of May 13 1958, but given ample legitimization by many subsequent elections, François Mitterand tries to illustrate in his book, *The Permanent Coup d'Etat*, how a power, expert in the art of broaching the limits of the constitution without violating it, can be simultaneously democratic at its source and tyrannical in its behaviour. If around 1962, 1963, 1964, the opponents of Gaullism sank to the level of political hobos, it is not because de Gaulle was a dictator, but because he was sure of his legitimacy, as democratic as it was "deep-rooted." Imbued with the primacy of his task and the importance of the work at hand, he considered his right to govern more solid than the right to grumble of a number of his detractors, prompted, according to him, by suspect motives. Yet under socialism the danger of such a semi-despotism, exercised in the name of democracy, is no less alive, for the socialists are even more convinced than de Gaulle, if that is possible, of their quasi-metaphysical legitimacy.

It is remarkable in this respect, that although the Left did in fact lose all the elections during the 23 years of the Gaullists' domination, they were constantly being accused of "refusing to allow an alternative to their government," and it was continually alleged that the Left was never given a chance to get into power. Yet no one has ever levelled such accusations against the Swedish socialists. The latter remained masters of the state for 40 years for the same reason that the Gaullists did here since 1958, namely, because they kept winning elections. On the other hand, there were no few socialists in France who discovered, when Palme lost his majority at Stockholm, that we had just witnessed a "setback for democracy" in Sweden. What wouldn't they have said if only the vanquished had belonged to the camp of "true" socialism, and not to that of insipid social-democracy!

JUST as he who declares: "I have no prejudices," declares his simple-mindedness, since by definition prejudices are judgments which are preconceived, so, likewise, we are often not aware of our intolerance. It is intolerance for those who are its victims; it is defence of the truth for those who inflict it. The socialists have a prejudice: it is that they have "liberated" all that they have purloined from "Money" and entrusted to the State. Once this premise is admitted, they have no qualms about indulging in intolerance, since those who

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criticize the State act, according to them, in the interest of "Money," a heinous crime which no longer deserves to be the subject of ideological debate. Such paranoia bursts forth from many pages, of which one example has hundreds of equivalents: "Having ceded a large share of their political power, the privileged classes will not let themselves be deprived of their economic power without resistance. They are already raising their heads in an attempt to shatter in different ways the political solidarity of those who comprise the defence-line of their class." [3] One notes that a perfectly lawful action by law-abiding citizens in a democracy to exploit the contradictions of the opposing camp is presented here as a seditious enterprise.

The democrat claims that he must bow down before the majority decision. He does not maintain, for all that, that the majority is always right. If it were necessary to be convinced of the latter in order to deserve the name of democrat, there would be no more opposition, no more electoral campaigns by the minority whose object it is to prove to the electors that they were voting wrongly during the previous election. The socialist goes further. He says that when socialism rules, to attack it is to attack democracy itself. When a party other than the socialist party is in power, to attack it is, on the contrary, to play "the democratic game," which the opponent "traduces" when he refuses to lose elections. These arguments, to which the French socialists of today have accustomed themselves, are on very similar lines to those in the traditional reasoning of the communists.

That is why the allocation of offices to the socialists after the election of 10 May 1981 is allied to a skeleton *nomenklatura* while also having certain characteristics of the traditional American spoil system, without being totally comparable with either. The spoil system, which consists of taking possession of the "spoils" of previous governments, is a mixture of cynicism, realism and good sense. Cynicism for the share of nominations which are rewards for services rendered, or celebrate old friendships and connexions without too much concern for competence. Realism because it is wise to entrust influential posts to men loyal to one's cause whose personal convictions are in accord with governmental policy. Finally, good sense because each new head of office would not have been motivated to seek control of policy if he did not consider himself capable of bringing with him to every level teams which would be more qualified than previous ones. But the classic spoil system goes no further. It does not introduce an ideological factor as a criterion of choice, or fanaticism into the allocation of places following the changes of the majority. In contrast, for the socialists, this additional sanctifying ideological determination is paramount, without, praise be to the Lord, compromising the real "functional" charms of the spoil sys-

[3] *Le Poing et la Rose*, No. 93, p. 18.

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tem. The take-over of positions of power is at the same time a purging of past usurpers and a precaution against conspirators to come. One must ensconce oneself in office as in a vessel which resists every turn of the tide. The highest concern is with that which cannot be reversed but may be retained despite electoral decline. One can recognize a communist pattern of behaviour here. However, our new state class is still a long way from having the power which can establish and use the *nomenklatura* system.

THE Soviet *nomenklatura* assumes that the socialist destruction of the economy has been achieved. There can be no *nomenklatura* as long as there still is a substantial fraction of the population, apart from the marginals and the good-for-nothings, which can find lucrative employment not assigned to it by the state or by an organ of the state. In fact, it is only when economic autonomy is at an end, having been eroded or reduced to no more than a derisory frill, that *nomenklatura* becomes possible. Indeed, what does the *nomenklatura* signify if not a society where the distribution of income and of material, cultural or moral privileges coincides point for point with the hierarchy of political and bureaucratic functions? Such fusion implies that socialism has been achieved, that economics has been absorbed forever by politics; in short it postulates the politicization of *all* economic responsibilities, the ultimate state of perfection, which France is obviously not yet close to attaining.

Yet the control of the commanding posts in future nationalized enterprises, banks or credit companies can be a big step in this direction. In spite of the sincere intention, which some socialists might have at the beginning, to make nominations to such positions purely on the basis of competence, it is foolish to imagine that moral principles and economic realism could prevail for any length of time against the internal determinism of a political system. When one acts in the name of a superior morality which must be on guard against capitalist subversion, it is inconceivable that the socialist authority should keep in economic command persons, the majority of whom will have an immense power at their disposal, a power greater than that of three-quarters of the ministers, without *first and foremost* taking into account their loyalty. This network of state *grands patrons* will be supplemented by administrators officially or otherwise nominated by the government, and trade unions in which the interests of the wage-earners will increasingly be confused with those of their representatives, trade union bureaucrats elected for life. One can well imagine, therefore, without excessive optimism, that the framework for a Western *nomenklatura* could emerge in France.

The theses proposed at the socialist congress in Valence clearly describe its future implantation. " Important responsibilities within the state apparatus and in public companies," one reads, " cannot be

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entrusted to individuals who have shown their resolve to serve the political cause of the previous order." One can see that the authors do not try to conceal the political character of the purging of previous managers, or of the nomination of new ones. To soften the blow, these proscriptions and preferments are presented in the mildest form: we are reassured that " those in responsible positions are chosen by the workers according to their professional qualifications." I am surprised to see that this old chestnut is still in use. In practice, it is the government which decides about " qualifications " and it is the trade union potentates who play the part of the " workers." This type of political promotion takes place under all majorities, but, apart from the fact, about which we were told with pride, that we are now delivered from these Right-wing acts of immorality, there is more than trite favouritism in these politically-motivated handouts and promotions. There is an underlying principle here which continuously reappears in the argumentation. In the last analysis, there is the postulate that the quality which enables one to undertake *public* (and not just political) responsibilities, is no longer conferred simply on the basis of citizenship, but by adherence to the socialist or communist credo. Here one has a *de facto*, if not *de jure*, return to the " oath of allegiance " which the monarchs of the nineteenth century demanded from their functionaries.

IN the process of its formation, the *nomenklatura* will be all the more stable because it will have a base of granite on which to rest: the respect commanded by the title denoting French " public office," the holders of which constitute from time immemorial a society within a society, cemented by its traditions, its written or unwritten rules, its integrity, its professional valour, its status, a body which knows that the stronger the state becomes, the more it assumes duties in which it replaces independent individuals, the more it must be able to rely on its officials, and the greater the appreciation it shows them.

It is this which makes the state now treat its servants with special largesse, exempting them, for example, from the extraordinary tax to be levied from all citizens with a view to making good the deficit in the treasury resulting from the payment of unemployment benefit. When I learnt of this, I reflected that perhaps we have just witnessed the restoration of *privilege* in its true sense; the good old noble privilege of the *Ancien Régime*. Indeed, nowadays, we do not use the words " privilege " and " the privileged " in the right sense. We understand by the latter, principally, those who earn more money than average. But to earn more money than someone else is not in itself a privilege unless this difference has no economic justification, as it corresponds to no additional effort or special expertise.

Viewed solely from the pecuniary angle, privilege is only real if no counterpart in work or talent balances the difference in earnings. A

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baker who earns twice as much as his competitor because he bakes a tastier loaf and is a better businessman is not "privileged," even less so since a jump from single to double figures will be greatly reduced by progressive taxation. On the other hand, the security of tenure enjoyed by official employees is a much more precious form of privilege, in present circumstances, than the chance of earning 50,000 francs a year more in an uncertain occupation. The same applies, of course, to the privileges of the Soviet *nomenklatura* which is not simply a question of earning a higher income because one is in a high position of which one is worthy, but also of the right of access to special shops, better living quarters, cultural pleasures, *dachas*, superior health care, and a host of other goods to which ordinary citizens have no access *even with money*. Privilege denotes exemption from common law, it is, to quote Littré, "an advantage bestowed on the individual or on a few, and enjoyed by those few to the exclusion of others, as if they were exempt from common law." Financial privilege has always been the ideal example of privilege. Bureaucrats are to socialism what the clergy was to the *Ancien Régime*.

Then the clergy did not pay taxes. On the contrary, it was they who levied them! Without any immediate feelings that things might go that far, let us not be afraid to issue a cautious warning that, with the nationalization decision taken by the council of ministers on 30 September 1981, France may be heralding the transformation of public service into *nomenklatura*.

THREE lessons may be elicited from the events which the French are now experiencing.

The first is that the nationalization of industries carried out by the socialist majority in power has a political and not an economic purpose. The debate which is unfolding on the economic front is nothing but a curtain of mist. It supplies, as Freud would say, "the manifest content" of the government's discourse. The real content, "the latent content," which is not all that latent if one reads the manifestoes of the socialist party (which we have learned to take literally since the elections), is to change society, to break with capitalism, to construct a collective society which excludes, or at least significantly reduces, private enterprise and eliminates the influence of international capitalism, embodied in the activities of "stateless" multinational firms. Nationalization is in itself devoid of rationality; it will not acquire it unless it can be related to its final goal, unless one understands that it is a tool, an instrument of the "transition to socialism."

The second lesson is that for the socialist militants and socialist deputies this political programme arises from an ideological interpretation of history, which is not based on any fact subject to verification or demonstrable experience. The socialists know it so well that they refuse to consider all relevant models and precedents; such conduct is an indication *par excellence* that one is in the presence of an ideo-

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logy. Would the socialists accept the defenders of a market economy refusing *a priori* to acknowledge that capitalism, such as it can be observed, be subject to probing scrutiny, and declaring instead that they only recognize an ideal capitalism which has never existed but which they propose to establish? And would they not consider it unwarranted that those citizens who democratically oppose this proposal be accused of conspiracy against the nation and of economic sabotage? The guiding principle of the socialists is simple. For them injustice, inequalities between social classes and between rich and poor countries, is a result of the profit principle. Profit itself is inherent in the logic of private capitalism. If one suppresses profit, and it is not possible to do so without changing this "logic" and without abandoning private capitalism, one will have eliminated at a stroke the primordial cause of injustice, of inequalities, of poverty in the Third World and of economic crises. This rudimentary tenet of Marxism has been refuted by the entire economic history of the last 100 years. The countries where penury has disappeared and the equality of conditions has increased are those which have been enriched by the effects of capitalism, including its effects in agriculture. In contrast, those countries in which the economy has broken with capitalism have everywhere come unstuck and, if they were prosperous before the transition, they inexorably became impoverished in comparison with capitalist countries which had been at a similar level of development. It is all very well to say, quite gratuitously, that the economic failure of socialist countries can be explained by extrinsic causes which have been superimposed on the system—such as bureaucracy, excessive centralization or too rigid planning—yet nevertheless, if the deprivatization of the economy itself developed some corrective mechanisms, it would still do some good, despite all the mistakes. But nothing of the sort. It is only the ideological screen which prevents the recognition that the failure is due neither to economic accidents, nor to anti-socialist plots, but to the very logic of the system.

The third lesson is that socialists, refusing to examine the abstract system which they wish to impose on reality, frequently tend to attribute their difficulties to conspiracies, and to take *political* rather than economic measures to correct the negative effects of their obstinacy. That is why there exists in France today a real danger of radicalization and intolerance. The government will increasingly blame for its problems those who take the liberty of criticising it. There will be no shortage of prosecuting counsel who will maintain that failures or delays occur not because socialist doctrine is implemented, but because its implementation is *insufficiently radical.*

THERE is already a whiff of deception in the air. For many years the electorate has so often heard that the politics of the right, nay, its sadistic willingness to plunge the people into austerity, were solely responsible for the crisis, that they are somewhat shocked to

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learn that the accession of the Left to power has not of itself produced the promised miracle.

I wish to stress what I have earlier stated here: I do not accuse individual socialists personally. A number of those who now exercise power or represent the nation in Parliament are attractive, warm, intelligent men and women. Many of them are friends of mine of many years' standing. I know them to be incapable of *voluntary* tyranny or intolerance. But the logic and constraints of systems make a mockery of situations and people. Systems possess their own momentum and their implications unfold inexorably, good intentions having little to do with the consequences which necessarily issue from a principle the moment it has been established.

Translated by Teresa Cherfas.

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To Our Readers

This issue of *Survey* (113) completes Vol. 25 (1980). The next issue (114), which will continue the symposium begun in this issue, will be the first number in Vol. 26 (1982).

After a lapse in publication, *Survey* is now back in circulation. We apologise for any inconvenience this may have caused our regular readers and subscribers. All outstanding subscriptions will be honoured.

From January 1982 *Survey* will be published with the cooperation of the Institute for European Defence & Strategic Studies, London.

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